Austria ... Sch 13	Indonesia ... Rp 2500	Portugal ... Esc 90
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr 42	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.80	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 7.25	Lebanon ... £L 6.00	Sweden ... SKr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rgt 4.25	Taiwan ... NT $65
France ... FFr 8.00	Mexico ... Pes 300	Tunisia ... Din 0.650
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... NKr 6.00	U.S.A. ... $1.00
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,759 — Tuesday October 22 1985 — D 8523 B

S. Africa: Coloureds against the police, Page 4

World news

Craxi in talks on re-forming coalition

Sig Bettino Craxi, caretaker Italian Prime Minister, held his first talks with party leaders in his attempt to form a new government at the request of President Francesco Cossiga.

The former government fell last Thursday because the Republican Party objected to its handling of the Achille Lauro hijack affair, and pulled out of the five-party coalition.

Sig Craxi was expected to try to recreate the same grouping of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals. Page 28

Peres peace offer

Israeli Prime Minister Shimon Peres, in a speech to the UN, offered to end the state of war between his country and Jordan, which has lasted for nearly 40 years, and called for peace talks before the end of the year.

Arafat warning

Yassir Arafat, chairman of the Palestine Liberation Organisation, predicted an outbreak of killing in Palestinian refugee camps in Beirut and Tripoli, and accused Ahmed Jibril, a leader of the Popular Front for the Liberation of Palestine, of complicity.

U.S.-Egypt moves

The U.S. and Egypt appeared to be acting to repair any damage to their relations caused by the U.S. forcing down the Egyptian aircraft carrying the hijackers of the liner Achille Lauro. Page 28

Bank pulls out

The state-owned Moscow Narodny Bank said it would suspend operations in Lebanon indefinitely as a result of the kidnapping of four Soviet embassy officials, one of whom was later killed, on September 30.

China tests cruise

East European diplomats said China had successfully launched a cruise missile from land, the first such weapon it is believed to have tested.

Ortega call

Nicaraguan President Daniel Ortega, speaking at the UN General Assembly, called on the U.S. to normalise relations with his country. Page 5

Motorway deaths

At least 15 people died and more than 20 were injured in Britain's worst motorway crash, when 11 vehicles collided on the M8 near Lancaster, north England.

Greek mass strikes

Greece's two main cities, Athens and Salonika, were disrupted as hundreds of thousands of workers went on strike in protest at the Socialist Government's austerity programme launched 10 days ago.

Drug death penalty

A Thai court sentenced an Australian to death for the possession for sale of 2kg of heroin.

Brazil's new fighter

Brazil's AMX tactical fighter will be unveiled today before President Jose Sarney. Page 6

N. Ireland visit

The Princess of Wales made an unannounced visit to Northern Ireland, her first to the province, where more than 2,000 people have been killed in sectarian violence.

Free pass

All 149 inmates in Honiara's central jail escaped after prison guards in the Solomon Island's capital opened the gates in protest against disciplinary action taken against some of their colleagues.

Business summary

Exchange may probe AEG trading

FRANKFURT stock exchange authorities may launch an investigation into allegations of insider trading in the shares of AEG, the electrical concern, ahead of the announcement that Daimler-Benz was seeking a majority stake. Page 29

DOLLAR showed mixed changes in London, rising to Y215.7 (Y215.1) and falling to FFr 8.04 (FFr 8.045) and SwFr 2.165 (SwFr 2.1685). It was unchanged at DM 2.6365. On Bank of England figures, the dollar's exchange rate index eased to 130.6 from 130.7. Page 45

STERLING was firm in London, gaining 65 points against the dollar to $1.434 and also rising to DM 3.78 (DM 3.765), FFr 11.53 (FFr 11.485), SwFr 3.105 (SwFr 3.095) and Y309.25 (Y307.0). The pound's exchange-rate index rose 0.4 to 81.0. Page 45

WALL STREET: At 3pm the Dow Jones industrial average was down 3.14 at 1,365.70. Page 52

LONDON: Hopes of bid speculation in the wake of the Elders IXL offer for Allied-Lyons failed to materialise. The FT Ordinary share index closed 2.9 down at 1,048.0. The FT-SE 100 index closed down 0.9 at 1,340.3. Page 52

TOKYO: Concern over recent price rises kept investors on the sidelines. The Nikkei-Dow market average closed 7.52 higher at 13,023.21. Page 52

GOLD fell $0.50 on the London bullion market to $325.75 and $0.40 in Zurich to $325.50. Page 44

INFLATION in the European Community fell to its lowest level for 15 years in September, dropping to 5.3 per cent from August's figure of 5.5 per cent.

MOROCCO signed an agreement with international banks rescheduling most of its medium-term debt of about $550m, which fell due between September 1983 and the end of 1984.

BRAZIL'S leading trade group, Cotia, signed a $400m countertrade agreement with Peru. Page 6

COMPANIES

Beatrice rejects bid by KKR

BEATRICE, the U.S. food and consumer products conglomerate, has rejected a $4.91bn takeover bid from Kohlberg Kravis Roberts, the investment group. Page 29

MACK TRUCKS, U.S. heavy-duty trucks maker, plans to replace its Allentown, Pennsylvania, production plant with a more modern one, reducing capacity by nearly a third. Page 29

EDGLEY AIRCRAFT, UK maker of the Optica observation aircraft, was placed in the hands of receivers at the company's request. Page 28

AMOCO, one of the biggest U.S. oil companies, has reported an 18 per cent drop in third-quarter net income to $490m. Page 29

M JEAN RIBOUD, who recently stepped down from the chairmanship of Schlumberger, the Franco-American oil and electronics group, died yesterday of cancer. He was 65. Page 29

SEARS ROEBUCK, the world's biggest retailer, has reported an 18.6 per cent drop in third-quarter net income to $262.2m, caused primarily by a sharp profits drop in its Allstate Insurance group. Page 29

WARNER COMMUNICATIONS, U.S. film and entertainments group, continued its recovery with a third-quarter profit increase of 40 per cent and net income up to $34.1m against $24.4m a year ago.

NORTHERN TELECOM, Toronto-based telecommunications equipment maker, lifted net income from C$75m ($55.1m) to C$90.6m ($66.6m) in the three months ended September 30.

Thatcher dictates extent of action against Pretoria

BY ROBERT MAUTHNER IN NASSAU AND ANTHONY ROBINSON IN JOHANNESBURG

COMMONWEALTH heads of government have reached agreement on a joint programme aimed at ending apartheid in South Africa, but which falls short of the comprehensive economic sanctions demanded by most member countries except Britain.

The agreement, which will see existing selective sanctions marginally strengthened, proposes a Commonwealth diplomatic initiative and leaves open the prospect of tougher measures should that fail. It follows two days of tough negotiations by heads of Commonwealth governments.

The South African Government yesterday reserved judgment on the proposals pending study of the full text of the programme.

The main features of the programme are:

- Concerted pressure to achieve the dismantlement of apartheid;
- Extending existing economic measures by a ban on the import of South African Krugerrands and on government funding trade missions to and trade fairs in South Africa;
- An arms embargo and ban on nuclear equipment exports and on computers for military and police use;
- A ban on all new government loans to South African government agencies;
- The appointment of a Commonwealth "wise men" group to promote a dialogue between black and white in South Africa;
- A review in six months of progress towards the end of apartheid; the consideration of further measures in the absence of such progress.

Mrs Margaret Thatcher, the British Prime Minister, who maintained her fierce opposition to economic sanctions until the end, was forced to concede what she described as "a tiny little bit" in banning the import of Krugerrands and government funding for trade missions and trade fairs in South Africa.

All the other measures listed, such as an arms embargo, a ban on nuclear equipment exports and technology and on computers for military and police use in South Africa, are already being applied by Britain.

Another important measure on the Commonwealth list – the ban on all new government loans to the South African Government and its agencies – has been in effect since September, as confirmed by Mrs Thatcher in a speech to Commonwealth leaders last Friday. However, it has never before been included in any formal list of British or EEC measures against South Africa.

One of the most important decisions taken by the conference, which ends today was in the political field. The 41 leaders agreed to establish a small group of eminent Commonwealth representatives, whose task will be to encourage a dialogue between the Pretoria Government and "the true representatives of the majority black population of South Africa.

The declaration, which called on South Africa to dismantle the system of apartheid, to terminate the existing state of emergency and release immediately Mr Nelson Mandela, the imprisoned African National Congress leader together with other detained members of the black opposition, recognised that it might be difficult for the Commonwealth group to make contact with to have nothing to do with such a Commonwealth mission.

The membership of the group will be decided within the next

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What the sanctions mean, Page 4; Editorial comment, Page 26

Plan to end EEC frontiers opposed

By Quentin Peel in Luxembourg

PLANS to sweep away all internal frontiers in the European Community as part of the drive to complete a single common market by 1992 ran into stiff opposition yesterday when EEC foreign ministers sat down to amend the Treaty of Rome.

They also rejected any suggestion that harmonisation, or at least approximation, of taxes should be decided by majority voting rather than by unanimous agreement.

Even the proposal to put a deadline of 1992 into the Treaty of Rome for the removal of remaining national barriers to a single market was given a cautious reception at the first full ministerial debate on planned amendments to the treaty.

The ministers, meeting in Luxembourg at a formal inter-governmental conference to decide on far-reaching reforms to streamline the EEC and extend its operations, spoke warmly of the need to complete the internal market swiftly. But they proved much less enthusiastic about the means of doing so.

The plan for a Europe without physical frontiers was proposed by the European Commission in its effort to obtain radical and visible reforms of the Rome Treaty accepted by the member states. The Commission has also called for rapid movement to bring indirect taxation, such as value-added tax and excise duties, much closer together to prevent the need for border tax checks.

On the question of physical frontiers, West Germany, France, Britain, Ireland and Italy expressed concern about how to enforce control over drugs traffic, crime, immigration and public health. Most would prefer a definition of the common market simply in terms of the "four freedoms": the free movement of goods, services, capital and employed people.

Britain, West Germany and France all oppose tax changes being agreed by majority voting, although it is an important objective of the present commission and in particular of Lord Cockfield, the British Commissioner responsible for the internal market.

The early resistance by the member states already appears to have persuaded the Commission to soften its stance.

M Jacques Delors, the Commission president, told the ministers that action on tax harmonisation would obviously have to be carried out in a different way, and over a different time-scale, to the 1992 deadline for the common market.

As for the member states' doubts over control of drugs and other border traffic, special measures would obviously be needed to take them into account.

Allied-Lyons rejects £1.8bn Elders offer

BY MARTIN DICKSON IN LONDON

BRITAIN'S biggest and most audacious takeover bid was launched yesterday when Elders IXL, the Australian brewing, agricultural and trading group, unveiled a £1.8bn ($2.57bn) cash offer for Allied-Lyons, the food and drinks conglomerate.

Allied – its interests include Double Diamond and Skol beers, Harveys sherries and Lyons Maid ice cream – immediately rejected the bid as "completely unacceptable in amount, in form and substance."

Elders, which first revealed its intention to bid six weeks ago, bas abandoned – at least for the time being – its earlier plan to mount a consortium takeover in partnership with other international companies.

Nevertheless, the bid far outstrips the previous British record, set in 1983 when BAT Industries paid £968m for Eagle Star, the insurance group. It is particularly audacious becaous Elders has a market capitalisation about one quarter of that of its target.

However, several other parties are involved in the vehicle being used to launch the bid – a newly formed company called IXL. A consortium of eight international banks, lead by Citibank of the U.S., have a 58 per cent stake. A 42 per cent interest is held by a group consisting of Elders (49 per cent) and various unspecified people.

Hill Samuel, Elders' financial adviser, said last night there was "nothing sinister" about IXL. Elders had call optinns to buy all the shares in the group at cost and the deal had simply been structured in this way for tax purposes and to keep the debt involved in the bid off Elders' balance sheet.

The whole deal is underpinned by a two-year sterling loan to IXL from the eight banks – none of which is British. Mr Jnhn Elliott, Elders' chief executive, declined to give any other details of the package or name the banks involved.

IXL is offering 255p in cash for each Allied ordinary share. That, together with an offer for the preference shares and any shares that may be issued under option schemes, values the whole company at £1.8bn.

However, Allied shares closed last night at 270p, down 5p on the day, and London analysts said the present offer stood no hope of success. To stand any chance of victory, they argued, IXL would probably have to raise its bid to more than 320p.

There is no paper alternative, though IXL is considering introducing one fnr the benefit of shareholders who could face capital gains tax problems io accepting cash.

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Volcker spells out Third World debt 'challenge'

BY PAUL TAYLOR IN NEW ORLEANS

MR PAUL VOLCKER, chairman of the U.S. Federal Reserve Board, yesterday urged U.S. bankers to rally behind the recent proposals on lending to less developed countries (LDCs) put forward by Mr James Baker the Treasury Secretary, which include asking commercial banks to provide $20bn in new credits to Third World nations over three years.

Mr Volcker, speaking at the Association of American Bankers' annual convention in New Orleans, ahead of a private meeting with senior bankers to explain the Baker proposals, said that initial bank reaction to the plan had been "favourable."

He said: "Clearly, many obstacles and difficulties remain to be overcome. Moving from the broad concept to practicality is an enormous challenge in itself. In the end, the decisions are up to the individual bankers. I can only ask that the challenge be approached constructively, with recognition of what is at stake."

Mr Volcker, who repeatedly emphasised that the health of the domestic economy and domestic banks would depend in part on structural changes and sustained economic growth in LDCs clearly set out to persuade sceptical regional bankers attending the convention to consider the Baker proposals seriously.

The Fed chairman said that while "substantial tangible progress" bad been made towards defusing and managing the LDC debt crisis over the last three years, there was "a clear danger of the constructive process losing momentum."

In particular, he noted that the LDC exposure of U.S. banks, relative to capital, had fallen by 25 per cent over the last three years and that "net new bank lending appears to have practically stopped this year, adding to a sense of political and financial uncertainty and frustration among borrowers as they face the need to achieve sustained growth."

Mr Volcker described the three-part Baker proposals, outlined at the recent International Monetary Fund meeting in Seoul, as "an important new initiative" aimed at supporting sustained growth. He said that while it built on the progress made in the last three years, "it also implies much more active lending by the World Bank and the official regional development institutions."

"The rationale is simple," Mr Volcker told his audience. "There is a common interest in sustainable growth, growth necessary to meet the legitimate aspirations of the borrowers and growth not unduly dependent on external finance. That same growth should progessively lighten the heavy debt burden of the borrowers, relative to the size of their economies, and the exposure of the lenders, relative to their assets and capital."

According to Mr Volcker, the challenge for the international banking community was "to develop a suitable approach for pledging that enough net new loans be made available at their risk; with such funds to be made available alongside IMF and World Bank participation, to provide assurance that countries undertaking the necessary economic reforms at home will also have a necessary margin of finance from abroad."

The meeting follows a similar one last week with leaders of the nation's major money centre banks

Venezuela's debt, Page 5

BP will reschedule $6.5bn credit lines

BY PETER MONTAGNON IN LONDON

BRITISH PETROLEUM is arranging a new $6.5bn loan facility in what is believed to be the largest exercise in restructuring short-term credit lines yet undertaken by any corporation in the international capital markets.

Mr John Browne, chief executive of British Petroleum Finance International, the company's integral bank, which is organising the deal, said yesterday it would include a $1.5bn committed underwritten facility from the company's bankers as well as securing the availability on a non-underwritten basis of a further $5bn over seven years.

The measures are designed to replace a slightly smaller amount of credit lines that have been in place since 1978 and renewed on an annubal basis.

In an unusual tactic, BP is arranging the deal itself rather than appointing a bank or group of banks to lead the operation. It has invited about 90 international banks with which it enjoys existing relations to submit proposed terms by November 1 and will indicate its acceptance of their terms by November 5.

Mr Browne declined yesterday to say what terms be expected to obtain from those banks, but the view in the banking community was that, if successful, BP could secure substantial cost savings amounting to about half the present cost of its standby credit. That would mean an annual fee of about 4 basis points (bundredths of a percentage point) on the new deal.

Under the scheme, BP will raise actual cash through the issue of

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U.S. oil company results, Page 29

Macy chairman Finkelstein leads $3.6bn buyout bid

BY WILLIAM HALL IN NEW YORK

MR EDWARD S. Finkelstein, 60-year-old chairman of R. H. Macy, the New York department store, is leading a $3.6bn bid to take over the group.

Mr Finkelstein, who is widely credited with transforming Macy from a rather drab department store chain into one of the most admired retailers in the U.S., yesterday announced that he and members of his senior management team intend to make a leveraged buy-out proposal to acquire the company for $70 a share in cash.

The proposed bid, which is subject to the arrangement of financing, is the latest in a string of leveraged buy outs in which managements borrow substantial sums of money secured on their company's assets to buy it from the shareholders.

Macy's shares jumped by $17 to $64½ in early trading on Wall Street yesterday and shares of other leading U.S. retailers surged ahead.

Mr Bruce Missett, a Wall Street analyst, who follows Macy for Oppenheimer and Company, the U.S. brokers, said that the bid was the "first real indication of what a major retailer was worth." He described Mr Finkelstein as "one of the brightest people in the retailing business."

R. H. Macy is best known for its department store in New York's Herald Square, which it claimed for many years was "the world's largest store under one roof" – a title it has since lost to Chicago's Marshall Field. However the 127-year-old group operates almost 100 stores across the U.S., including such famous names as Bamberger's, and has recently been expanding.

Under Mr Finkelstein, Macy's net income has risen from $102m in 1980 to $221.8m in the year to the end of July 1984. However, its profits slipped to $189.3m in its latest fiscal year and there have been suggestions that the company's success, which has spawned many imitators, was faltering.

Last year Macy earned $3.69 a share on sales of $4.4bn. This year Oppenheimer estimates that the company will earn $4.30 a share.

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EUROPEAN NEWS

Alain Cass in Noumea on a French colonial problem with the makings of a crisis

Independence storm gathers in Pacific

ROGER GAILLOT stands oo his simple hilltop ranch house and gazes at what he and his family of white settlers have achieved since landing in New Caledonia, France's territory in the South Pacific, over a ceotury ago.

It has been an exciting and often perilous adventure, not out of place in a Joseph Conrad story. M Gaillot's great grandfather, a Breton with a taste for travel, landed in this island in 1865. He was given 20 acres of land by France which he worked until his death five years later when he was killed and eaten by Malanesian cannibals.

Today M Gaillot owns land as far as the eye can see: over 2,500 acres, with 1,600 head of prime beef, a dozen horses and a private landing strip all hemmed in by mountains to the north and the Pacific to the south.

Gaillot is fond of telling the story of his great grandfather's death because it underlines the point he wants to make at a time when opinioo between pro-indenpendence white settlers like himself has become dangerously polarised.

"When my family came here," says M Gaillot, "there was oothing. It was empty. The Melanesians lived in the mountains. They were in the stone age. We gave them civilisation in return for land. This land belongs to those who made it."

Now, he says, the white settlers in Caledonia have been "betrayed" by France. "The Socialists have sprung a trap for us and they expect us to fall into it. Well, you can tell them from me that they will have problems."

The "trap" referred to by M Gaillot is tha plan to move this tropical Cote d'Azur built oo French money, tourism and tha nickel boom of the 1970s—New Caledonia holds one-third of total world deposits—to independence within two years.

Under the plan announced by M Laurent Fabius, tha French Prime Minister oo April 25, New Caledonia was divided into four regions each of which elected a oew assembly last mooth. These assemblies would form the territorial congress which would implement a referendum on indepeodence for the territory — possibly in "association" with France on matters of defence and security.

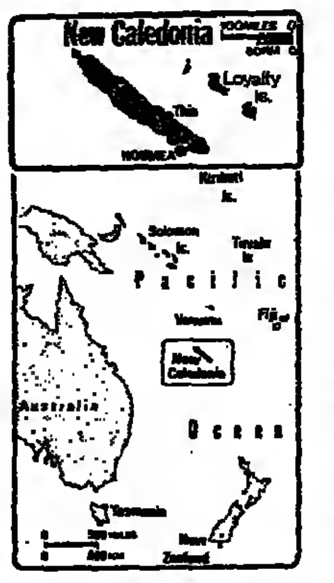
The regional divisions appeared designed to create a pro-independence Congress with New Caledonia's indigenous people — the Kanaks — in control.

Unfortunately for France and President Francois Mitterrand, who is already preoccupied with the Greenpeace affair in the Pacific, the Fabius plan backfired and it is the French Government which now finds itself caught in a trap, some would say of its own making.

The problem for France is that, unlike any other colonial situation, the indigenous Melanesian Kanaks constitute a minority in their own country largely as the result of a deliberate French policy over tha years to encourage immigration. They make up only 43 per cent of the populatioo of 145,000. The whites (37 per cent) and other Pacific Islanders and Asian minorities (20 per cent) encouraged to settle here from former French colonies are solidly against independeoce. They fear being swamped by Melanesian culture, a fear which has been greatly compounded by the electoral victory in New Caledonia's four regions of the fundamentalist Kanak Socialist National Liberation Froot (FLNKS).

But although the Kanaks woo three of the four assemblies outright, the fourth, which represents the most populous area of the territory, that around Noumea, and which therefore has most seats, was won by anti-independence forces.

Despite winning a majority of the territory the FLNKS and its more moderate partners the LKS hold a minority of the new seats as well as a minority of



the vote. The trap France is now caught in is that, under French constitutioo, M Mitterrand's government cannot simply hand over power without an act of self-determinatioo by the islanders. And most of the islanders are solidly against indepeodence.

M Jean-Claude Briault, an elected member of the Conservative Rassemblement pour Caledonie Repuhliqaine (RPCR) says the territory's economy, already wilting because of a collapse in nickel prices aod tourism, would be set hack decades if France withdrew anyway.

"France has been good for this place. We have o higher per capita income than any country in the Pacifie aod many in the world. Most children go to school. Most communities have health centres. We have television, 500 Km of paved roads, direct dialling to the world. The French state subsidises a third of our annual budget. We couldn't possibly survive without France. Independence is a dream which won't work."

What is equally not io doubt, however, aince last month's elections is that the overwhelming majority of Kanaks want independence and some may be prepared to fight for it. France has 3,000 troops and paramilitary police who patrol the island trying to prevent serious racial strife.

Melanesians say that France encouraged immigration in tha 1960s and 1970s makiog them a minority io their own land.

M Jean-Marie Tjibaou, 49, formerly a Romao Catholic priest released from his vows in 1970 to take up politics, leads the FNLK from a Kanak stronghold io the north. He would, if independence ever came, be a strong contender to become the country's first leader.

"We have been humiliated in our own land for long enough" he said. "We are not French and neither do we want ta be. We are the sons of the soil. We were here loog before the colonial power game. There is a conflict of legitimacy over who owns this country and until that is resolved there can be no peace or security."

But despite his party's sweeping gains at the alections M Tjibaon is painfully aware of the huilt-in majority for independence. His answer is to disenfranchise all whites and other settlers from the referendum which has to be held by 1987. "How they do it is their problem," he says.

White hopes now rest on an Opposition victory led by former French Prime Minister Jacques Chirac of the Conservative RPR in the parliamentary elections due in France next March. The hope is that a government domioated by M Chirac would hold a referendum in New Caledonia in which all would be allowed to vote and the majority would say "Non" to independence. New constitutional arraogements could then be introduced which would retain the ties with France indefinitely.

But many whites recognise it may not be that simple. Firstly, even if the Opposition win the day next March France will still have a Socialist President who may not agree with his new government. Second, by the time M Mitterrand's term runs out in 1988 the new regional assemblies in New Caledonia will be working and it is hard to see how a new administration could put the clock back. Third, as a journalist in Noumea said "The genie of independence has been let out of the lamp. Kanak expectations have been aroused. They will not be dampened."

The future, therefore, looks bleak for New Caledonia. An increasingly vocal and militant indepeodence movement encouraged by, among others, Libya (where some Kanaks have been betrayed) and Cuba is pitted against a majority determined to hold out to the bitter end. France, not for the first time, is trying to hold the ring and find a political solution to one of its remaining colonial problems which could, if it gets out of hand, easily become a crisis.

Portugal party picks contender for President

By Our Lisbon Correspondent

PORTUGAL'S Social Democrats, victors in the general election two weeks ago, have voted to back Professor Diogo Freitas do Amaral, a former Christian Democrat leader, in the presidential election next January.

The vote-spit the party's natiooal-council. Prof Freitas do Amaral was proposed by Sr Anibal Cavaco Silva, the party's new hard-line leader, hut was opposed by others who wanted a candidate from within the party.

Sr Cavaco Silva is expected to be sworn in as Prime Minister next month. But he will head a minority one-party government that will need the support of a sympathetic President to survive.

The other two main contenders to succeed President Antonio Ramalho Eanes, are Sra Maria de Lourdes Pintasilgo, a Left-wing Catholic, and Sr Mario Soares, the Socialist leader and outgoing Prime Minister.

Solidarity puts a brave face on election setback

BY CHRISTOPHER BOBINSKI IN WARSAW

SOLIDARITY'S underground leadership is determined to continue its activities despite the fact that more than two-thirds of the Polish electorate ignored its call to hoycott last week's parliamentary elections.

Mr Zbigniew Bujak, the Warsaw underground leader, says underground will continue until the authorities recognise Solidarity.

His uncompromising tone reflects the anxiety that moderates like Mr Lech Walesa may be ready to look for an accommodation with the authorities.

The Government has hinted at the possibility of an amnesty for Poland's 400 or so political prisoners aod would like to see the underground wind up its activities in return.

According to Mr Bujak: "Solidarity's right to a legal existence cannot be the subject of negotiation." The underground, be added, is ready to call for Western ecooomic aid for Poland should the authorities agree to an extensive programme of ecooomic reform goiog much further than preseot official efforts.

He claims that between 50,000 and 75,000 people play an active rôle in his movement while another 200,000 "are involved from time to time."

● Polish debts guaranteed by the West German Government will be rescheduled under an agreement to be signed this week, a Finance Ministry official in Bonn told AP yesterday.

He refused to disclose the amount of the debts which were due to be paid in 1982 and 1983.

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Economists urge Bonn to speed up tax cuts

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY'S fivo leading economic institutes have urged the Government to bring forward the oecond stage of its planned income tax cuts to boost the country's modest growth.

Although the recommendation was immediately dismissed by Herr Gerhard Stoltenberg, the Finance Minister, it is likely to fuel arguments further obout stimulating the economy.

The institutes, which are forecasting 3 per cent economic growth next year, want the second stage tax cuts to start from the beginning of 1987 — a year earlier than planned and right on the eve of the next federal election.

Several months ago, they recommended that the whole DM 20bn (£5.3bn) packago be introduced from the beginning of next year. This call was backed by some in the coalition's own ranks, who argued that more should be done to stimulate the economy and to improve the government's chances in tho election due by February 1987. In the end, however, Herr Stoltenberg fended off these demands, arguing that tight control of budget spending should not be relaxed.

The institutes' latest suggestion comes just after nationwide demonstrations organised by the DGB trade union federation, calling for more public investment and shorter working hours in order to reduce unemployment. They argue that bringing forward the second stage cuts in personal income tax would help to deflect concern abroad about a further big rise likely in the trade surplus next year.

West Germany has already faced intormittent calls from abroad to boost its oconomy bui has steadfastly refused. In the institutes' view, foreign pressure could build up because of concern about the dampening effect abroad of the rapidly mounting West German trade surplus.

They predict that tho surplus will rise by about DM 20bn to a record of nearly DM 100bn. The current account surplus is expected to rise to a record DM 50bn from DM 35bn this year.

The five institutes — from Berlin, Hamburg, Munich, Kiel, and Essen—believe West Germany's moderate growth will create about 200,000 jobs next year. But because of newcomers entoring the labour market, the drop in unemployment will bo less.

While the number of people out of work will average about 2.3m this year, it may decline to about 2.25m next year, the institutes predict.

They expect gross national product to grow by about 2.25 per cent in real terms this year. This is slightly less than last year's 2.6 per cent growth

Private spending on consumer goods is likely to grow much more strongly next year, buoyod np by the first stage of the Government's tax cuts and by higher wago increases. Inflation is likely to continue at about 2 per cent a year.

Brussels sounds warning over shipbuilding

BY PAUL CHEESERIGHT IN BRUSSELS

THE EFFORTS made by European Community shipyards to regain competitiveness have been nullified by productivity losses, the Commission in Brussels said yesterday.

In an analysis of the Community industry, which has been seeking to combat recession by restructuring, the Commissioo noted that tho slump in order books bad led to more and more yards having to cope with interrupted work programmes.

The result bas been productivity losses as production facilities and the workforce alike have been forced to accept longer idle periods.

Behind this judgment is the fact that the level of orders dropped last year to the lowest level of the industry's 10-year crisis. Until 1982 the compensated gross tonnage on order had never been less than 4.7m tonnes. At the end of 1984 it was 3.06m tonnes, and at tho end of last June it was 2.5m

Up to half of the workforce left in the yards is affected in some degree by short-time working, the Commissioo noted. But the workforce itself has been cut by moro than balf since 1975 to reacb juat over 93,000 by the end of last year. The loss of output bas been of same perceotago order of magnitude.

The dire straits of tho industry, which has lost international market share to Japan and Korea and is now, as the Commission said, failing to win enough work "to exploit resources rationally," pose a serious challenge to policymakers in at least two areas.

Tbe subsidy rules for shipbuilders have been rolled over so that until the end of next year, there is an exemption tn the normal competition regulations, permitting aid linked to restructuring. What hoppens after that will bave to be decided against the background of what the Commission called "an increasing threat to the survival of the industry in some cases."

Secondly, the Community has failed to create its own internal market in shipbuilding. Commission figures show that while Community shipownors last year ordered 2.2m tonnes, 70 per cent of wbicb was ploced inside the Community. But on average, the shipowners placed less than 4 per cent of their orders in Community countries other than their own.

This lack of trade within the Community has become more sharply exposed because of the failure of the shipbuilders to bold their place on the international market. According to the Commissloo, exports outside the Community accounted for only 15 per cent of new 1984 orders. Never before had it been lcss than 25 per cent.

WARSAW PACT LEADERS MEET IN BULGARIA

Gorbachev briefs allies on summit goals

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

MR MIKHAIL GORBACHEV doe today to start hriefing his Warsaw Pact allies in the Bulgarian capital of Sofia on the proposals he plans to put to President Ronald Reagan in Geneva next month.

Tho two-day Pact summit will focus on the "central issues" of the Gorbachev proposal of a 50 per cent cut in strategic nucloar missiles, a ban on space weapons and a goneral renewal of East-West detente, the Soviet foreign ministry spokesman told tho Bulgarian news agency yesterday.

Mr Gorbachev faces a considerably easier task in getting his ollies to support his Geneva summit positions than Mr Reagan will face on Thursday when he consults Nato leaders in New York.

But the fact that ho has taken with him to Sofia President Andrei Gromyko and tho Soviet prime, foreign and trade ministers, indicates that he wants to use this, his first real working meeting with his allies, to discuss moro than just defence. Ho believes the alliance should bave more regular summit-level meetings, both as the Warsaw Pact and as Comecon.

The new Soviet leader has attended only one Pact summit, in May for the ceremonial purpose of extending the Warsaw Treaty. An early Comecon summit has been reported as likely by East European officials.

The meeting will be watched to see if he develops the idea of increased contacts between Nato and the Warsaw Pact which he floated in Paris earlior this month. It might also produce personnel changes in the military structure, which is still commanded by Marshal V. Kulikov despite rumours of his impending replacement. Mr Gorbacbev has already replaced top Soviet commanders in East Germany and Czechoslovakia.

Mr Gorbachev is expected to stay on in Bulgaria briefly after the summit ends tomorrow to carry out the official visit that his predecessor, the late President Konstantin Chernenko, planned in January, but was forced by illness to cancel.

The presence of Mr Boris Aristov, the newly appointed Trado Minister, in tho Soviel ontourage in Sofia makes it likely that Soviet-Bulgarian commerce will be discussed. In an extraordinary interview carried in a Bulgarian magazine this summer, the Soviet Ambassador to Sofia publicly complained of the poor quality of aome Bulgarian shipments to the Soviet Union.

President Andrei Gromyko: with Gorbachev at Warsaw Pact meeting in Sofia

Greek austerity plan brings thousands out on strike in protest

BY ANDRIANA IERODIACONOU IN ATHENS

COMMERCIAL and civic life in Greece'a two main cities, Athens and Salonika, was severely disrupted yesterday as hundreds of thousands of workers in the private and public sector went on strike in protest against an economic austerity programme announced by tho Socialist Government ten days ago.

The strike, which affected more than 20 provincial towns as well, was the most serious faced by the Socialists during fours years in power. It grounded Olympic Airways and shut banks and many small businesses and shops.

In Athens, taxis stayed off the streets for 24 hours and state-owned buses and trolleys stopped running for three hours in the morning and again in the afternoon. Banks will remain closed today, while the main state service organisations, including electricity, telecommunications, water and postal services, are expected to stage an all-day strike on Thursday.

Workers are calling on the Government to revoke a wage freeze imposed until the end of 1987 as part of tho austerity package, along with simultaneous watering down of the system of linking wages to inflation. They used to be compensated retroactively every four months for overall inflation, but will now be compensated in advance on the basis of Government predictions for domestic inflation.

Yesterday'a action went ahead despite a decision last week by Greece's trade union congress, the GSEE, against a nationwide general strike in opposition to the austerity measures.

The decision, which was taken only hecause of a casting vote by the Socialist president of the congress, split the Socialist majority in tho GSEE leadership and led to the expulsion of eight top trade unionists who backed strike proposals from the Socialist Party at the end of last week.

The expulsions sent shock waves through Socialist union ranks, which have been torn between supporting the Government and going along with protest strikes led by opposition Communist and Conservative trado unions. Unrest is also reported in the Socialist party ranks, in the central committee, and among Socialist MPs.

So far, the Government has adopted o tough stance towards militant trade unions. Mr Andreas Papandreou, the Prime Minister, personally warned would-be strikers at the end of last week that the Government has no intention of backing down on any of the ousterity measures. The Government also accused the Communist and Conservative opposition yesterday of holding "unconvincing" and "murky" positions on the economy, and attacked the alliance between the two against the measures.

The Socialists have also rejected opposition calls for a special debate in Parliament on the austerity regime, on the grounds that economic policy will be discussed when the 1986 budget is submitted in November.

Anti-missile petition 'signed by 3m Dutch'

A WRITE-IN campaign to prevent deployment of cruise missiles in the Netherlands has collected 3m signatures, witb supporiers claiming success and pro-missile activists calling it "a farce," *AP reports from The Hague.*

The campaign, sponsored by an amalgam of onti-war groups, is the largest since Dutch citizens were polled in 1923 on whether tbe Government shonld enlarge its naval fleet.

Eacb of the nation's 5.4m households received a postcard on wbich the occupant could indicate bis or ber opposition to tbe missiles.

The campaign ends on October 26, six days before a Government decision on whether or not to deploy tbe Nato missiles in the Netherlands. Campaign spokesmen yesterday called it "an enormous success."

The pro-cruise Inter-cburcb Committee for Two-sided Disarmoment discounted the 3m figure as "wholly unreliable. The wbole drive is a farce because the organisers don't verify tho signatures."

The 3m signotures appeored on a total of 1m cards, according to the organisers.

Opponents claimedthat "many" signatories have included tbe names and signatures of minor children. Even if all those signatures were *bono fide*, 3m is still o minority." The Dutch population is about 14m.

Tho write-in campaign has no legal status in the Netherlands, and is viewed as the highly-organised Dutcb peoce movement's last-ditch attempt to avold cruise development.

Although the Dutch Premier, Mr Rund Luhbers, has said he will attend a rally on Saturday marking the end of the signature campaign, he has avoided any pledge to make it o part of the Government's decision-making process on the missiles.

Hungary faces energy shortages

By Leslie Colitt in Berlin

A SERIOUS shortage of coal has devoloped in Hungary wblch could leod to widespread energy restrictions this winter. Neighbouring Romania last week declared a state of emergency in its coal and power industry and Bulgaria too has acknowledged a critical power sbortage.

The Hungarian Minister of Industry, Mr Laszlo Kopolyi, said a "great shortage" of coal existed althougb production was boosted in recent years in order lo reduce nil imports from the Soviet Union. He said the "exploitation" of coal reserves, however, had been delayed.

An extra 1m tonnes of coal were being imported at a cost of 50 per cent more than domestic coal, he said. The production backlog in the coal mines would be made up by mid-November.

The city administration of Budapest warned that while the capital was better provided with fuel than other parts of tho country, energy shortages could ogain dovelop this winter which would affect district beating, beoting oil ond coal.

Energy restrictions could be imposed which would mainly affect Industrial consumers in order to ensure supplies to the population. Tbe severe cold last winter led to widespread power sbortages in Hungary, the brunt of whicb was felt by industry, whicb bad to curtail output.

The equivalent of 500,000 tonnes of additionol oil was consumed during the first few months of the year.

Hungary cut its TV programming during the wintor by nearly a quarter, while Romanio slasbed broadcasting to two bours on weekday evenings and retained the restrictions throughout the year.

The general director of the Hungarian Cbamber of Commerce, Mr Gerd Biro, said Hungary's annual cost of living increase of 8-9 per cent was the highest in Eastern Europe except for Poland because the other conntries had increased stato subsidies and had "tolerated an economy of scarcity."

He also noted in an interview with Hungarian radio that the price index for consumer goods in several other Comecon countries failed to include food price rises or the prices of individual plot-holders who sell their food on the private market. Thoy also often did not include the prices of services.

OVERSEAS NEWS

Anthony Robinson reports on Cape Town communities rebelling against heavy-handed police action

Civil war strife scars the 'fairest Cape'

THE BRITISH Prime Minister is not a popular lady among the middle-class Moslem and Christian inhabitants of Cape Town's coloured surburb of Athlone.

They, who tune into the BBC World Service rather than South African Radio for their news, have been following the Commonwealth Conference with avid interest.

"Doesn't Mrs Thatcher realise that supporting trade is supporting the apartheid regime which keeps us in these ghettoes?" asked an angry Athlone businessman to the approval of a surrounding crowd of the suburb'a citizens.

"That it is supporting the regime which deprives our children of a decent education and sends these armed hooligans into our communities to shoot our children?"

The Cape Peninsula is not included in the 36 magisterial districts covered by the Emergency regulations introduced on July 21, but nearly 60 people have been killed and hundreds more wounded in the area in the two months of school boycotts and violent protests.

These followed the break-up of a mass march on Pollsmoor maximum security jail to demand the release of Mr Nedson Mandela, leader of the African National Congress movement dedicated to outsting the Government.

For months, Athlone and other mixed-race suburbs in the peninsula have been rocked by violent protests against second-class education and outrage at the unleashing of armed police and troops in armoured cars who have maimed and killed children while dispersing riotous demonstrations.

Such is the topograpby and history of the peninsula, however, that white, coloured and Asian communities are not separated in the way that black townships are kept miles away from white areas on the flat highveld of the Transvaal, the Eastern Cape or the Orange Free State.

The result is that what was once called the "Fairest Cape" is a hotbed of unrest, which in recent weeks has shocked many whites, who have had to run gauntlets of stone-throwing youths on roads linking white to coloured areas and the airport and have seen crowds of youths stoning White shopping and residential areas.

A crowd in the coloured and Moslem township of Athlone turn over a commercial vehicle in the recent unrest.

But the spillover of unrest into white areas is merely a superficial manifestation of a sea-change in attitudes which has not only converted middle-class coloured communities into radical activists but created a new militancy among the 150,000-strong Moslem Community, whose most radical members are now calling openly for an armed jihad, or holy war, against the apartheid system.

Events of the last week, inclodlng delays by the police in handing over the victims of police violence for immediate burial according to Moslem law and the surrounding of the St Athens Mosque in Athlone by police leading to an exchange of fire between police and the crowd, has brought further recruits for the advocates of jihad.

According to Mr Ibrahim Patel, an Islamic specialist at the University of Cape Town, radical Moslem youths influenced by events in Iran and the rise of Moslem consciousness in the Arab world, bave been delving into the Koran for texts of relevence to the struggle against apartheid.

Traditional Moslem authorities like the Moslem Judicial Council have been publicly joined by more radical groups, some wearin gthe cheqnered scarves favoured by the Palestine Liberation Organsiation

They were in evidence last week as large crowds gathered in Athlone, Grassy Park, Mitchells Plain and other communities to do battle with the army and police patrols.

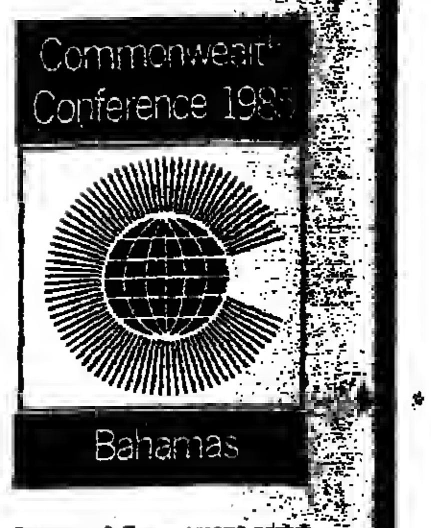
Fears that Cape Town may be on the brink of armed conflict led to anguished warnings last week from local white Progressive Federal Party (PFP) opposition leaders. The Cepe, they said, risks civil war unless President P. W. Botha aceded to growing demands to withdraw troops and police from the townships and take a bold new political initiative on the lines advocated by the Convention Alliance.

President Botha's response has been to withdraw the passports from a group of Afrikaner students planning a meeting in Lusaka with the youth wing of the African National Congress, to blame the ANC for the unrest sweeping the country and to reaffirm his intention to proceed with reform on terms and at a pace determined by his Government alone.

Last night, as the President set off to address a by-election meeting at Bethlehem in the heart of Arikaner Orange Free State farming country, there was no indication that the Commonwealth Conference has changed his mind.

Krugerrand sales already 'dead' say gold traders

BY STEFAN WAGSTYL



GOLD traders yesterday said the possible ban on Krugerrand imports by the UK and other Commonwealth countries was unlikely to make an already-depressed market any worse.

They said that sales of the gold coin this year had already slowed to a trickle as investors reacted against the political unrest in South Africa. "The Krugerrand market is dead." said one, "it can hardly get any deader."

In the UK, the whole gold coin market has been slack since the Government imposed value-added tax on sales in 1982.

Several dealers had stopped trading Krugerrands actively even before yesterday's announcements, particularly those with strong links with gold markets in the U.S., where President Reagan banned imports of the gold coin earlier this month.

The outlook for Krugerrand sales in Japan is also very difficult with the Government advising trading houses not to import the coin.

The International Gold Corporation (IGC), which markets South Africa's gold, yesterday put a brave face on the Commonwealth leaders' decision, pointing out that it was aimed only at restricting Krugerrand imports and not sales within the UK or any other country. Investors' freedom to continue to buy, hold and sell coins was unaffected, it said.

Nevertheless, the slump in [illegible] Krugerrand market this [illegible] en a big blow to the IGC which has in recent years [illegible] highly successful [illegible] to promote the coin, altogether selling some 43.5m ounces of gold in coins.

In 1984 Krugerrands accounted for 2.6m ounces of world gold coin sales of 4.2m ounces. This year the proportion is expected to be far lower and the IGC stopped publishing sales figures in May.

The depressed state of the gold market accounts for part of the decline. But investors have also switched to buying other gold coins, notably the Canadian Maple Leaf, which is being heavily promoted by the Canadian Royal Mint.

Traders say that this switching has generally occurred in advance of Government restrictions on Krugerrand imports. For this reason, they say that the Commonwealth decision is also likely to have little effect.

Treders point out too that the Commonwealth communique, referring to "a readiness to take unilaterally what action may be possible to preclude the import of Krugerrands" has been phrased in very loose language, allowing Governments to set their own pace in fulfilling the agreement.

Christian Tyler adds: the British Government spent only £186,000 in the past financial year on sponsoring 12 trade missions to South Africa and supporting British company participation in two trade fairs there.

No new missions and fairs will be supported, the Department of Trade and Industry said.

A delegation from Coventry Chamber of Commerce and Industry is presently in the country. The next mission due to go is from the Dundee chamber at the end of this week; its financial support from the British Overseas Trade Board, part of the DTI, is "under consideration."

The London Chamber of Commerce said yesterday it was reviewing whether to go ahead with a trade mission planned for early next year.

The licensing of computer sales to South Africa may also be reviewed.

Commonwealth leaders state their terms on S. Africa

THE Commoowealth accord on southern Africa issued in Nassau begins with a condemnation of South Africa's refusal to dismantle apartheid, its "illegal occupation" of Namibia and its "aggresaion against its neighbours." The accord goes on to call on the South Africa Government to take the following steps "in a genuine manner and as a matter of urgency."

1. "Declare that the system of apartheid will be dismantled and specific and meaningful action taken in fulfillment of that intent.
2. Terminate the existing state of emergency.
3. Release immediately and unconditionally Nelson Mandela and all others imprisoned and detained for their opposition to apartheid.
4. Establish political freedom and specifically lift the existing ban on the African National Congress and other political parties.
5 Initiate, in the context of a suspension of violence on all sides, a process of dialogue across lines of colour, politics and religion, with a view to establishing a non-racial and representative government.

We have agreed on a number of measures which have as their rationale impressing on the authorities in Pretoria the compelling urgency of dismantling apartheid, and erecting the structures of democracy in South Africa.

The latter, in particular, demands a process of dialogue involving the true representatives of the majority black population of South Africa. We believe that we must do all we can to assist that process, while recognising that the forms of political settlement in South Africa are for the people of that country—all the people—to determine.

To this end, we have decided to establish a small group of eminent Commonwealth persons to encourage through all practicable ways the evolution of that necessary process of political dialogue.

We are asking the president of Zambia and the Prime Ministers of Australia, Bahamas, Canada, India, the United Kingdom and Zimbabwe to develop with the (Commonwealth) Secretary General the modalities of this effort to assist the process of political dialogue in South Africa.

We would look to the group of eminent persons to seek to facilitate the processes of dialogue referred to . . . above and by all practicable means to advance the fulfilment of the objectives of this accord.

6. For our part, we have as an earnest of our opposition to apartheid reached accord on a program of common action as follows:

- We declare the Commonwealth'a support for the strictest enforcement of the mandatory arms embargo against South Africa, in accordance with UN Security Council resolutions 418 and 558, and commit ourselves to prosecute violators to the fullest extent of the law;
- We reaffirm the Gleneagles Declaration of 1977, which called upon Commonwealth members to take every practical step to discourage sporting contacts;
- We agree upon, and commend to other governments, the adoption of the following further economic measures, which have already been adopted by a number of member countries:

i—A ban on all new government loans to the Government and its agencies;
ii—A readiness to take unilaterally what action may be possible to preclude the import of Krugerrands;
iii—No Government funding for trade missions to South Africa or for participation in exhibitions and trade fairs in South Africa;
iv—A ban on the sale and export of computer equipment capable of use by military forces, police or security forces;
v—A ban on new contracts for the sale and export of nnclear goods, materials and technology;
vi—A ban on the sale and export of oil;
vii—a strict and rigorously controlled embargo on imports of arms, ammunition, military and para-military equipment from South Africa;
viii—An embargo on all military co-operation and discouragement of all cultural and scientific events except where these contribute towards the ending of apartheid or have no possible role in promoting it.

It is our hope that the process and measures we have agreed upon will help to bring about concrete progress towards the objectives stated above in six months.

The heads of government . . . or their representatives, will then meet to review the situation.

7. If in their opinion, adequate progress has not been made within this period, we agree to consider the adoption of further measures, some of us would, in that event, consider the following steps among others:

- A ban on air links;
- A ban on new investment or reinvestment of profits earned in South Africa;
- A ban on import of agricultural products and the termination of double taxation agreements;
- The termination of all government assistance to investment in, and trade with, South Africa;
- A ban on all government procurement in South Africa;
- A ban on contracts with majority owned South African companies;
- A ban on the promotion of tourism.

Finally, we agree that should all of the above measures fail to produce the desired results within a reasonable period, further effective measures will have to be considered.

Many of us have either taken or are prepared to take measures which go beyond those listed above, and each of us will pursue the objectives of this accord in all the ways and through all appropriate fora open to us.

We believe, however, that in pursuing this programme jointly, we eolarge the prospects of an orderly transition to social, economic and political justice in South Africa and peace and stability in the southern Africa region as a whole."

Morocco signs debt package

By Francis Ghiles

THE AGREEMENT rescheduling about Morocco's $550m (£390m) of medium and long term debt owed to interoational banks was signed in Paris yesterday by M Abdellatif Jouahri, the Moroccan Minister of Finance. Some banks signed the agreement yesterday while others will sign it in London today.

The agreement covers all the principal repayments due in 1983 and 90 per cent of the principal due last year. The repayments are stretched over eight years with four years' grace and the borrower is paying a margin over the interbank rate of 1¾ per cent.

The banks will now be able to atart negotiating with Morocco the rescheduling of about $850m worth of principal repayments due in 1985 and 1986.

The Moroccan Minister, who estimated his country's foreign debt at about $13bn, said that the Kingdom would have to contione rescheduling its foreign debt repayments until 1988.

U.S. and Egypt seek to heal rift

BY TONY WALKER IN CAIRO

THE U.S. and Egypt yesterday appeared to take e step towards smoothing over their serious differences which arose after the U.S. forced down the Egyptian aircraft carrying four hijackers of the Italian cruise liner Achille Lauro.

Mr John Whitehead, the deputy Secretary of State and President Reagan's special envoy, met President Mubarak of Egypt for lengthy discussions which both sides agreed and helped in the process of reconciliation. But Egypt is making it clear there is some way to go before it is prepared to declare the matter closed.

It seems Cairo is seeking a substantial gesture from Washington, possibly e U.S agreemeot to go ahead with a first stage meeting between U.S. officials and a Jordanian-Palestinian delegation as a means of opening a direct corridor to Arab-Israeli talks.

It was significant that Mr Whitehead, in a brief statement after his meeting with Mr Mubarak, said that "much of our discussion focused on the peace process and the importance of moving forward soon towards direct negotiations within an appropriate context."

The U.S. envoy noted that "both our nations have important roles to play in accelerating that process."

Mr Richard Murphy, the U.S. Assistant Secretary of State for Middle East Affairs, has visited the region on aeveral occasions in recent months in an attempt to establish the ground rules for a first stage meeting with a joint delegation.

His efforts have been unsuccessful because the U.S. wants to he sure that such a meeting would advance the peace process and not simply be an end in itself.

There bas also been disagreement about the names of Palestinians put forward for the first stage discussions because some bave overt Palestine Liberation Organisation connections.

Mr Whitehead said he had delivered a letter to Mr Mubarak which expressed Mr Reagan's "continuing commitment to close U.S.-Egyptian relations and his hope that we could now put our recent differences behind us."

"I explained to the President that the recent events were in no way directed against Egypt or its people for whom all Americans have the deepest respect," Mr Whitehead said.

"We very much regret that developments took the course they did. Our only object was to bring to justice criminals

Mr Mubarak has described the U.S. interception of the Egypt Air aircraft as "air piracy" and has demanded a public apology. President Reagan refused to give such an apology, but Mr Whitehead's visit, to seek reconciliation indicates the depth of American concern ebout the rift in its relations with Egypt, e key Middle East ally and the only Arah state to have made peace with Israel.

Egypt was dismayed by the U.S. action. It has felt bumiliated in the eyea of its own citizens and before the Arab world. Its discomfort has been compounded by e number of anti-American demonstrations on university campuses which have involved criticism of Mr Mubarak himself.

TUNIS DENIES COMPLICITY

"TUNISIA was not asked by anybody to allow the landing of the plane carrying the hijackers," a Tunisian Foreign Ministry official said by telephone from Tunis yesterday, writes Francis Ghiles.

"This conforms to our long-standing policy of not allowing hijackers to land in Tunis," the official said. Tunisia's position, therefore, remained unchanged from what it has said since the aircraft was diverted to Sicily.

Agencies add: A Palestinian leader yesterday called for an internal investigation of Mr Mohammed Abbas, a Palestine Liberation Organisation (PLO) leader who U.S. authorities claim masterminded the hijacking of the Italian Cruise ship Achille Lauro.

Mr Abbas was with the hijackers aboard an Egypt Air jetliner diverted to Italy by U.S. jetfighters earlier this month, but was freed by the Italian authorities.

Shaikh el-Heut, representing the PLO at the United Nations said on NBC television: "I feel as a member of our (PLO) Parliament, as a result of what has happened recently, that Mr Abbas should by a subject for investigation and, if it's proved that he had any connection with what has happened, we may dismiss him out of the Executive Committee."

He denounced the hijacking as "an act of terror."

Manila police fire on protesters

TWO people were killed yesterday when police opened fire during Manila's worst street protests against the rule of Philippine's President Ferdinand Marcos in two years, protest leaders said, Reuter reports.

Another 15 people among the estimated 5,000 demonstrators marching towards the city centre were wounded, they said.

Meanwhile, Mr Marcos yesterday said his Government was winning the war against the country's Communist forces, writes Samuel Senoren. Mr Marcos said that the "kill ratio" was seven guerrillas to seven Government soldiers and that a number of military units had been fielded to boost the counterinsurgency campaign.

Muldoon faces expulsion from National Party

Attacks by Sir Robert Muldoon, the former New Zealand Prime Minister, on the current leadership of his opposition party, the National Party, have raised the possibility of his expulsion, writes Dai Hayward from Wellington. Party leaders yesterday did not rule this out. The dispnte over Sir Robert's demands for a more senior political role has been simmering for some time but broke out into the open last weekendwhen he and party leader Jim Mclay battled each other through radio news bulletins.

USSR bank to suspend Beirut activities

THE state-owned Moscow Narodny bank is to suspend its activties in Lebanon indefinitely, Mr Vladimir Tutinkov, the managing director, said yesterday, Reuter reports from Beirut.

"We are freezing operations some time in November. I don't know for bow long," Mr Tutinkov said hut gave no reason.

The suspension follows the abduction of four Soviet embassy officials in mainly Moslem west Beirut on September 30.

Consular secretary Mr Arkady Katkov was found shot dead two days later, prompting Moscow to evacuate about half the 150-strong Soviet community bere. The Soviet embassy, cultural centre and Moscow Narodny bank were placed under heavy guard.

- Christian and Moslem militiamen battled with machine guns and rocket-propelled grenades across Beirut's green line yesterday, ending two days of calm that began when President Amin Gemayel endorsed a [illegible] to end the 10 year-old civil war.

Iran Cabinet uncertainty

Difficulties have arisen in Iran over the nominations for the new Cabinet headed by Prime Minister Hussein Moussavi, ...writes ...Kathy Evans from Dubai.

The Tehran Times reported yesterday that possibly half of the 24 designated ministers, which are generally regarded as containing those from the reformist wing of the Islamic Revolution, are unlikely to be approved by President Khamenei.

[illegible] esterday said its warplanes egain hit Iran's Kharg Island oil terminal in the Gulf.

China slows drain on foreign exchange reserves

BY ROBERT THOMSON IN PEKING

CHINA appears to have regained control over its falling foreign exchange reserves, despite generally gloomy predictions to the contrary by diplomatic observers. The country is still plagued, however, by en inability to generate export income.

Long overdne reserve figures for the second quarter of this year were released late last week, showing that China had foreign exchange of $10.852bn (£7.67bn) as at the end of June, down from $11.3bn at the end of March.

Diplomats had made dire predictions for the reserve figure after it had plunged from $16.3bn at the beginning of October last year, with a flood of imported consumer goods and a rush of contract signings mainly responsible for the slump. (Most diplomats bad estimated the June figure at between $7bn and $10bn.)

The flow has apparently been stemmed by tough Government controls imposed on the use of foreign exchange. The measures range from an import regulatory tax which increased duties 80 per cent on some foreign goods, including cars, to e change in technology purchasing laws, forcing local authorities to get central approval before contracts for technology imports could be finalised.

The officials said most economists considered a two-month import cover to be healthy but China could safely have only a month's cover because it has a centrally planned economy and could rein in spending when necessary.

However, State Councilor Gu Mu, who has been instrumental in the developmentof the open door policy, said last week that China will continue to exercise stringent controls over "reckless imports" of motor vehicles and consumer goods.

China is on the wey to recording a large trade deficit this year, with e first half deficit ranging from $3.2bn to $6.5bn depending on which department is believed.

Zhao Ziyang, the Chinese Premier, expects to meet Mr Yasuhiro Nakasone, the Japanese Prime Minister, at the UN this week, reports our Peking Correspondent.

Relations between the countries have become strained by Chinese worries over Japanese trade policy and what Peking sees as a possible revival in Japanese militarism.

Reagan to risk rebuff over arms sale to Jordan

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan yesterday planned to notify Congress of his intent to sell Jordan up to $1.9bn (£1.3bn) worth of sophisticated U.S. weapons, at the risk of a serious foreign policy rebuff from Capitol Hill.

Hearings on the arms sale over the last few weks have underlined the intensity of opposition the edal faces in tha traditionally pro-Israeli Congress. Senator Richard Lugar, chairman of the Senate Foreign Relations Committee, has said that Mr Reagan must scale back the package to avoid virtually certain defeat in the Senate.

The Administration, bowever, has not wavered in its argument that King Hussein vitally needs the new weapons to defend his country at a time when be is taking the major political risk of moving towards peace talks with Israel.

Apart from Jordan's defence requirements, the Administration also belleves the King should be rewarded for his peace efforts, so as to show to other Arab countries that moderate, pro-Western policies can bring positive results.

Congressional opponents of tha deal, however, say that the King has not yet gone nearly far enough to demonstrate that his desira for peace with Israel is genuine. The weapons, thus, constitute a threat to Israel's security.

The arms package would include 40 advanced fighters, either F-165 or F-205, 300 Sidewinder air-to-air missiles, 12 mobile Hawk surface to air missile systems, 72 shoulder-fired Stinger anti-aircraft missiles, armoured vehicles and other equipment.

The sale would go ahead within 30 days of Congressional notification, unless defeated in both houses by a simple majority vote. Mr Reagan could then veto such legislation, but Congress could over-ride his veto by two thirds majorities in both houses.

With defeat looming in tha Democrat-controlled House of Representativas, Mr Lugar is urging Mr Reagan to modify the deal if be wants to save it in tha Republican-led Senate. He is calling for discussions "to find out if there is a way King Hussein's defence needs can be met and at the same time the security of Israel guaranteed."

The search for a Middle East settlement, Page 26

Ann Charters in Sao Paulo describes the restoration of a unique British-built Victorian venture

Fresh head of steam for Brazil's historic railway

PERCHED ON the edge of mountains that separate the port of Santos from the sprawling megolopolis of greater Sao Panlo, sits Paranapiacaba — a desolate, yet perfect Victorian town built in the middle of the last century by English railroad entrepreneurs.

The village of 2,500 inhabitants is tu this day, best reached by railroad despite its location only 48 km from Sao Paulo. It has been in decline, however, since the 115-year-old finicular railway built with English capital and engineers was put out of action three years ago.

In August the federeal railroad company (RFFSA) announced it would spend Cr 5bn (£518,000) to restore railroad buildings and the uppermost stage of the railway that originally climbed 10 km of mountainous terrain to 800m above sea level. The expenditure will be a first step in the preservation of one of the world'a most unique examples of railway engineering.

The site has special historical significance for Brazil. The railroad linked the then province of Sao Paulo'a vast interior coffee producing plains for export markets overseas.

Tha train transformed the history of tha region into ooa of economic progress and prosperity, catapulting the Sao Paulo area from its isolation and fourth ranking in commercial importance behind Rio de Janeiro, Bahia and Pernambuco into its status today as "engine" of the country's economy.

When the first funicular railway was inangurated in 1867, Paranapiacaba ("from wbera you can see the sea" in a local Indian language) was boma to 5,000 people while the provincial capital, Sao Paulo, bad 30,000. Today, the capital'a population approaches 10m.

The second funicular railway system, inaugurated in 1901 and still standing, was built to keep up with rapidly increasing freight traffic. This unusual railroad was constructed over five inclines with a single rotating cable operating ou eacb of them. To move up or down the mountains, little steam brake engines grabbed the cable with steam clamps and tucked the 5.5 inch cable into the underside of the engine. Underground steam enginea generated the power to pull each cable and with it the brake engine and its normal freight of five loaded cars. Between the inclines, the brake engine hauled the wagons under its own power.

At each landing between the five inclines, a machine bouse used steam from nearby boilers and two 8 metre wide fly wheels to drive the cable around its interminable circuit, pulling up imported cargoes balanced with descending passengers and fewer cargoes.

In the early days, the freight bauled increased from 26,114 tons of merchandise and 28,707 passengers in 1867 to 1,489,646 tons of merchandise and 1,051,812 passengers in 1901.

Today, Sao Paulo exports more than it imports, through its Santos port. But then the volume of incoming manufactured goods and staples so far outweighed exports that water ballast was used in descending railroad cars to offset the heavy demands of the imports in ascent.

Those wbo put the railroad into operation relied on early, but failed, plans of a Prussian resldent of Santos wbo foresaw the profitability of conquering the mountain barriar between the coast and Brazil's rich interior.

It took the Brazilian baron of Maua, Sr Irineu Evangelista de Souza, and the British company, Robert Sharp and Sons, to obtain a concession from the Brazilian Imperial Court to build a railroad line witb operating rights for 90 years.

The court and the province of Sao Paulo agreed to pay 7 per cent interest on money invested in the railroad construction.

The Sao Paulo Railway Company, set up in Loodon in 1860 with the still-considerable sum of £2m, broke ground for the railroad in Brazil under the guidance of an engineer, David Mackinson Fox. This was only 33 years after tbe world's first steam powered locomotive made its debut in England.

The construction took £2.65m and seven years for the crew of 5,000 labourers to work its way up the mountainous terrain. They tunnelled 13 times, put into place 4,000 tons of imported steel and built 16 bridges to reach the edge of the high plain, completing the most difficult segment of tho Santos to Jundlai railroad.

The railroad coute, stretching 139 km fcom the coast, is still used today for suburban train servlces aod a rack-and-pinion freight train.

The Sao Paulo Railway Company was nationalised in 1946. According to some accounts, the English-controlled company, realising it controlled a bottleneck to Sao Paulo's exports and imports whlch permitted lucrative frelght charges, so declined to expand. Once the Englisb left, interest in maintaining Paraoaplacaba as an English town waned.

Paranaplacaba station as it was in 1920

The hefty expenditure from the federal railroad company, begun in August, does not include restoration of the village with its 370 wooden homes, community buildings or the imposing chief engioeer's bouse, nicknamed the Castelinho (little castle). It was from this house that the Englishman in charge bad an noobstructed view over the railroad yard and town.

Io an action all too rare in Brazil, a voluntary group of engineers and architects from the nearby city of Saoto Andre formed a committee three years ago to stop the deterioratioo of the village and to promote restoration.

They are worried, however, that when the federal railroad compaoy sells the houses to their preseot occupants, for the most part railroad workers with little income for restoration, the situation will become even more precarious. Landmark status has beeo petitioned, but not yet granted.

For railroad buffs with steam in their blood, steam brake engines will start operating again in February, 1988, on the uppermost incline. It is only a 5 ceot fare for the one-and-a-half-hour journey from Sao Paulo's red brick Victorian station to Paranapiacaba.

As ooe railroad worker, son of an early resident, said: "Paranapiacaba has to be preserved. So much force and energy was expended here."

Sarney plans more active foreign policy

BY ANDREW WHITLEY IN RIO DE JANERIO

BRAZIL intends to adopt a more active role in international affairs in defence of its "legitimate interests," President Jose Sarney said in a wide-ranging interview with the FT last week.

"For a long time our foreign policy was in hibernation because of the gap between our language abroad and what we practised internally," the Brazilian civilian leader declared, intimating that Brazil had not pnt its democratic principles into practice during the recently ended two decades of military-led rule.

This, he claimed, had now changed. Sr Sarney said he had given instructions to Brazilian diplomats to speak with a firmer voice abroad. "Our goal is no longer to be a passive aubject, in matters which affect our vital interests," be said.

Under bis seven-month-old civilian Government Brazil'a position on its foreign debt and International Monetary Fund negotiations has noticeably hardened. In addition, Brazil and India bave taken the lead in opposing the demands of western industrialised countries that services be included in the forthcoming ronnd of international trade negotiations.

On the country's protracted negotiations with the IMF, President Sarney said that Sr Dilson Funarothe, Finance Minister, had not brought back a very optimistic report from tha recent annual meeting in Seonl.

Brazilian officials had travelled to Seoul cautiously bopeful of a breakthrough in the current impasse over the country's debt pay negotiations, following tha recent declaration in New York by the Big Five industrialised countries in favour of a more flexible approach to the debt issue.

These bopes appear to have foundered on the hard-nosed resistance of creditor banks to any rescheduling not accompanied by an IMF agreement.

President Sarney nevertheless painted an optimistic picture of recent trends in the Brazilian economy. He said domestic interest rates and unemployment are both down, industry was growing at an annual rate of 15 per cent, and even inflation "was not as bad as bad been feared" at the start of his mandate in March.

"All these signs indicate a return to normalisation, and confidence, including abroad, in our capacity to meet our obligations," said Sr Sarney.

The Government is in the final stages of preparing a package of measures expected to include substantial tax increases to meet the country's large public sector deficit. This package should be completed within the next few weeks, he said.

Ortega launches stinging attack against U.S.

BY TIM COONE IN MANAGUA

NICARAGUAN President Daniel Ortega has called upon the U.S. to normalise relations with Nicaragua and "to conform with the principles of international law."

In a speech to the General Assembly of the United Nations yesterday, President Ortega made a stinging attack on tbe Reagan Administration for what be described as its policy of "state terrorism" against Nicaragua. He also made an appeal for "an urgent concerted action of international solidarity" to confront Nicaragua's critical economic situation.

Sr Ortega said tbe continuation of the U.S.-financed war had made it impossible for Nicaragua to maintain its foreign debt service obligations. The war ha said "not only limits but bas eliminated our capacity to pay."

He called for "decisive support from the countries with which Nicaragua has bilateral financial relations" and said that a "change of attitude" was needed by Nicaragua's creditor institutions.

Sr Ortega said that in the past fiva years Nicaragua had mada $621m (£440m) in debt service payments, equivalent tu almost two years' export earnings.

President Ortega blamed the Reagan Administration for being the principal obstacla to the Contadora peace efforts in Central America and said it was the U.S.-backed war which had obllged Nicaragua to reimpose a state of emergency last week.

Government officials bave been at pains to argue that the measures are aimed solely "at tying the hands" of the CIA and people linked to counter-revolutionaries trying to destabilise the Government.

Venezuela seeks to amend debt rescheduling terms

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

VENEZUELA is seeking to amend the terms of its $21.2bn (£15bn) debt rescbeduling to make it more flexible and adaptable to changing circumstances.

It has asked the committee of leading creditor banks which negotiated the deal to consider changes that would guarantee concessions in the event either of better terms being offered to other countries or of Veoezuela facing economic difficulties through circumstances ontside its control.

Tha committee, chaired by Chase Manbattan of the U.S., will meet to consider the proposals later this week but is thought unlikely to give a firm response at this stage.

Behind Venezuela's thinking lies the experience of Mexico which has recently been forced to change its rescheduling agreement calling for a principal repayment of $950m because of the earthquakes that struck Mexico City in late August.

Venezuela would like to be able to make similar changes without putting the whole agreement in jeopardy if, for example, it faced a sudden drop in oil prices or hike in interest rates. Similarly it would like to benefit too if creditors granted concessions to other countriea such as the capitalisation of interest payments.

Moscow set to modify trade monopoly

BY PATRICK COCKBURN

THE RESIGNATION of Mr Nikolai Patolichev, 77, the Soviet Foreign Trade Minister, after 27 years in the job, gives the Soviet Government a chance to modify the monopoly control of the ministry over some $40bn (£28.5bn) of imports and exports.

Mr Boris Aristov, successor to Mr Patolichev, was formerly the Deputy Foreign Minister and Ambassador to Poland. He will look at plans for the dilution of the Foreign Trade Ministry's control of commercial relations with foreign countries, though foreign observers in Moscow are dubious about the chances of radical reform.

The Foreign Trade Ministry has heen beavily criticised over the way in which it imposes bureaucratic obstacles on the efficient and speedy use of imports. "A Soviet end-user of a foreign product often spends a year longer than he should getting what he wants," a Western businessman in Moscow said.

Soviet exports consist primarily of commodities, and some $15bn or 70 per cent of the hard currency earnings comes from the sale of oil and gas.

Manufactured exports to the west are limited, though Mr Mikhail Gorbachev, the Soviet leader, said in June that Soviet companies must learn to compete in the world market.

"It is essential to improve substantially the whole system of incentives for enterprises to produce for export markets."

A plan being considered is to bring Soviet organisations and the Foreign Trade Ministry's "client organisations" into more direct contact with foreign suppliers and consumers.

Under this scheme, still at an early stage, three of the Foreign Trade Ministry's organisations would be hived off to ministries directly involved in the use of imports or the production of exports.

Aftoexport, the foreign trade organisation in charge of the export of motor vehicles, notably the Lada car, would become part of the Auotomobile Industry Ministry. The car plant at Togliattigrad would thus be more involved with exports.

At the moment, according to one foreign businessman in Moscow, "there is a disincentive for enterprises to export because they have to produce to a higher standard while they themselves receive limited benefits from sales abroad." An enterprise's success is judged by gross outpot in accordance with plan target.

The Foreign Trade ministry's present structure is suited to the sale of bulk commodities such as wheat and oil. But it represents a large bureaucratic obstacle to organisations wishing to export manufactured goods or effectively to employ imported technology.

A system of joint committees of representatives from industrial organisations and experts from the foreign trade organisations, introduced in 1978, has not proved effective in increasing liaison on the essential details.

Imports, worth about $19bn last year, are equally divided between food, machinery and intermediate goods for industrial plants. Machinery imports are often reported to be underused and, in some cases, not even unpacked.

The present priority given by Mr Gorbachev to the re-equipment of existing plant is leading many foreign companies to prepare refurbishment packages for the factories they built in the past or supplied with equipment.

More modern machinery for factories in the main industrial centres is promised in the investment arrangements contained in the next Five Year Plan running from 1986 to 1990.

Mr Mikhail Gorbachev

The enormous growth in Soviet foreign trade since the 1960s has taken place without any significant change in the way it is organised.

BP plans to spend $1.3bn developing S E Asian operations

BY DOMINIC LAWSON IN SINGAPORE

BRITISH PETROLEUM plans to spend at least $1.3bn (£920m) on developing its South-East Asian operations over the rest of the decade, Mr Bryan Sanderson, chairman of BP Singapore, said yesterday.

This would involve annual capital expenditure at a level three times greater than in recent years, Mr Sanderson added. But the sums do not include any acquisitions which BP might want to make in the area.

About 80 per cent of the expenditure will fund oil and gas exploration and development in Indonesia, Thailand and Malaysia.

BP has had a series of oil discoveries in Indonesia and is also planning to spend up to $300m on developing its half share in the Sulawesi gas field in Malaysia.

But the $1.3bn does not take into account any development costs of future discoveries.

The figures also do not include BP's offshore China exploration programme—accounted for separately within the group—in which 13 dry holes have heen drilled at a cost of over $200m.

"We are looking to expand our coverage generally in South East Asia from selling petrol to mining for minerals," Mr Sanderson said yesterday. BP's new drive in South East Asia stems from the need to find new investments following the development of oil fields in Alaska and tha North Sea.

BP's South East Asian income over the rest of the decade is likely to be about $1bn, so the great majority of the expansion can be financed internally by BP's existing operations in the area.

● The U.S. "blunders around shooting first and asking questions later," Mr Pang Hwang, chairman of Singapore's Economic Development Board said yesterday in an attack on tha protectionist trend in the U.S. The board is a government agency which promotes industrial development in Singapore.

Mr Hwang said: "A small country like Singapore can get trampled under foot as there is a danger of tarring all Eastern countries with the Japanese brush."

Mr Hwang referred to the recent U.S. claims thet Singapore was unfairly subsidising its textile industry. "It cost us enormous lawyers' fees and six months of work to prove that we were innocent of this charge," Mr Hwang added.

Brazil company signs $400m countetrade pact with Peru

BY ANDREW WHITLEY IN RIO DE JANERIO

COTIA, the leading Brazilian trading company, has signed a $400m (£285m) countertrade agreement with Peru which will transform the previously negligible trade flow between the two Latin American neighbours.

Signed in secret three weeks ago, the agreement is likely to prove of immense benefit to the new Peruvian Government of President Alan Garcia, struggling to cope with the combined effects of heavy debt payments, low commodity prices and almost non-existent foreign exchange reserves.

Modelled on the successful Brazil-Nigerie countertrade deal, about to enter its second year, the Peruvian agreement involves the import by Brazil of non-ferrous metals — copper, silver and zinc—and other non-traditional manofactured goods and a small quantity of oil.

In return, Cotia, ecting primarily as an intermediary for other Brazilian companies, will supply cash-straitened Peru with spare parts, tyres, mining equipment, foodstuffs and industrial raw materials.

Banking arrangements involving the setting-up of an escrow account in a third country—are currently being finalised, and the agreement is expected to come into force before the end of the year.

According to Sen Roberto Fonseca, vice-president of Cotia, the Peruvian agreement will be open-ended, subject to an annual progress review by both governments, on the lines of the Nigerian pact.

Brazil and Peru, which share a 3,000 km frontier, in the Western Amazon jungle, have for reasons of geography and history had very little trade together—despite the pious intentions stated in regional co-operation pacts to which both belong.

Only one dirt road links the two countries, while river traffic along the Solimoes River, the major headstream of the Amazon, to Iquitos—capital of the Peruvian eastern jungle region—has barely scratched the potential.

One intriguing aspect of the recently-signed agreement is thus the provision for the export of Peruvian oil, mostly produced in the Iquitos region, to neighbouring regions of Brazil.

Until now—in defiance of geographic logic—Peru has had to transport all its oil across the Andes to the Pacific coast, at a time when the adjacent Brazilian state of Acre has frequently faced acute fuel shortages due to its immense distance from Brazil's major oil refinaries and distribution centres.

Peru is currently responsible for little more than 10 per cent of Brazil's non-ferrous metal ore imports, which totalled $75m in 1984, mostly of copper and zinc.

Increased imports from Peru are likely to be at the expense of Chila and Zaire, in the case of copper, and Canada and Mexico for zinc.

AMX tactical fighter makes debut today

BY ANDREW WHITLEY

THE PRIDE of the fast-growing Brazilian Defence industry, the AMX tactical fighter aircraft, will be officially rolled out today in Sao Jose dos Campos before President Jose Sarney and a large crowd of spectators.

Tha AMX, a joint project with Aeritalia and Aermacchi of Italy, is a subsonic fighter powered by a Rolls-Royce Spey Mark 807 engine. Embraer, the Brazilian state aircraft manufacturer, has a 30 per cent share in the ambitious project and will assemble an initial batch of 79 aircraft for the Brazilian Air Force.

One major obstacle until recently in the way of the Brazilian AMX was Britain's refusal to provide official export credit cover to Brazil for the Rolls-Royce engines. This has been largely removed, however, following a visit by a senior ECGD official to Embraer.

The British Treasury, fearful of the loss of potential orders valued at several hundred million pounds, is reported to have given the AMX engines special exemption from the usual ban on official cover for military exports.

Brazilian officials had made representations to London for months over the serious consequences of any further delay in the joint project, which is running about 18 months behind schedule.

ECGD cover is still hampered however by the blanket ban on medium-term cover for Brazil which remains in force until the Sarney Government reaches a fresh agreement with the IMF, likely to be a long way off.

To promote the new fighter aircraft—the first example of collaboration in such a sophisticated field between a Nato member and a developing country—the three partners yesterday established a joint marketing company in London.

The composition of the new company, AMX International, reflects that of the overall project: 46 per cent for Aeritalia, 30 per cent for Embraer, and 24 per cent for Aermacchi. Initially the company will concentrate on promoting the aircraft in third countries.

A Netherlines Jetstream 31 flies over the outskirts of Amstedam. Netherlines recently ordered two more of the aircraft, bringing its fleet to eight, making it Europe's largest operator of theaircraft.

British commuter aircraft success

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE RECENT decision by British Aerospace to raise the production rate of twin turbo-propeller Jetstream 31 airliners from 36 to 48 aircraft a year has highlighted the steady success this small 19-seater is now enjoying, especially in the North American market.

Earlier this month, Sunbird Airlines of Charlotte, North Carolina, ordered five Jetstream 31s, bringing to 65 the total orders from U.S. operators, of which 53 have been ordered over the past two years alone.

Together with UK orders for 14 aircraft and 15 from other countries, the total Jetstream 31 order book stands at 94 aircraft, of which 61 have heen delivered so far. Several further orders are in the pipeline.

British Aerospace based its decision to raise production not only on this current success with the aircraft, but also on market forecasts. It believes that up to the end of the century, the total world market for small corporate and commuter airliners of the Jetstream 31 type could amount to over 5,000 aircraft.

It hopes to win "several hundreds" out of that total, many of the sales being expected in tha U.S.

The expansion in production will result in a further modest growth in jobs at the company's factory in Prestwick, Scotland, where BAe already employs about 2,120 people.

The company's investment in the venture now stands at over £80m. Export sales for 1985 will account for slightly more than that, and exports in 1986 will probably reach £100m, rising further thereafter. Home sales this year will account for over £12m.

The secret of the Jetstream 31's success lies primarily in its size. It has found e niche in the highly competitive U.S. commuter airliner market with its 19 seats, a size that under U.S. law does not require an in-flight cabin attendant, thereby reducing operators' costs.

The quiet and fuel-efficient American Garrett AiResearch TPE-331 turbo-prop engines have helped the Jetstream 31 to succeed against competition from two U.S. makers, Beech and Swearingen.

Much of the Jetstream 31's market is being found in the growing U.S. regional "hub and spoke" airline system, where small airliners are used to feed traffic in from outlying communities to bigger airports for connections to mainline services.

The possibility of eventually developing a larger partner for the Jetstream 31, the 24-27 passenger Type 41, has been under study for some time, but no decision has yet been taken.

At present, the Jetstream 31 is available in three versions: the 19-seat airliner model, the hest-selling version; a corporate executive version with a 10-seat luxury cabin; and an "executive shuttle" model for inter-city transport and the business charter market.

Treasury hopes consumers will sustain recovery

BY PHILIP STEPHENS

THE GOVERNMENT is relying on a large increase in consumer spending, triggered by bouyant earnings, falling inflation and tax cuts, to sustain the economic recovery in 1986.

The Treasury is still in the process of finalising its latest forecasts for the economic outlook, which are due to be published in next month's Autumn Statement.

The expectation in Whitehall, however, is that its growth forecast for the whole of 1986 will remain close to the 2½ per cent annual rate originally expected for the first half of the year. At the same time the 3½ per cent projection for 1985 may be revised upwards slightly.

This year's figure, however, has been pushed up by the bounce back in the economy after the end of the miners' strike. Most outside economists are predicting a sharp slowdown in the economy next year, with exports and investment faltering.

North Sea oil production, which has added an average of about a ½ percentage point to the growth rate in each of the last few years, is likely to have e neutral or perhaps slightly negative impact in 1986. The consensus among City economists suggests overall economic growth of only 2 per cent in 1986.

Mr Nigel Lawson, the Chancellor, ecknowledged the expected change in the composition of the recovery in his speech et the Mansion House last week, but said that outside forecasters were too pessimistic.

He said the growth rates of investment and exports may slow but that other components of demand, notably private sector consumption, may contribute more to the economy's expansion.

Private sector investment, which received a boost from tax changes in the 1984 Budget, is widely expected to level off after next April when tax allowances on capital expenditure will fall from 50 to 25 per cent. In the initial three months of the year, however, there could well be an investment boom es companies rush to beat the tax deadline.

At the same time, exports, which rose by an annual rate of ebout 10 per cent in the first half of this year, are forecast to grow at a mnch slower pace in response to sterling's rise since the beginning of this year and to general slowdown in world trade.

The Treasury, however, eppears to be slightly more optimistic than some outside economists on the prospects for world economic growth and trade.

The main reason for the Government's confidence is the expectation of another consumer spending spree.

There are no signs that the annual growth in average earnings is slowing from the present 7½ per cent, but the Treasury expects annual inflation to fall below 4 per cent by mid-1986.

That combination should give a sizeable boost to the disposable income of those in work, which the Chancellor hopes to edd to through tax cuts in his spring Budget.

The Treasury does not traditionally publish any forecast for unemployment in the Autumn Statement and in recent speeches Mr Lawson has been circumspect on the prospects for e lasting reversal of the continuing upward trend in the jobless total.

What the Government is likely to argue, however, is that since the expected slowdown in economic growth is likely to be concentrated in the North Sea oil sector, which employs relatively few people, there should be no real deterioration in the outlook for employment.

Sumitomo to help boost Ulster image

By Our Belfast Correspondent

THE SUMITOMO Trust and Banking Company, and the Northern Ireland Industrial Development Board yesterday signed a co-operation agreement designed to bring further Japanese manufacturing investment to the province.

The IDB said the bank had agreed to act as an adviser to Japanese companies which were investigating manufacturing opportunities in the EEC. The service would include professional guidance on Northern Ireland's financial incentives and industrial practices.

IDB officials see this as a significant step forward in efforts to attract Far East investment. The first Japanese company to locate in Ulster has recently begun prodnction of disposable cigarette lighters.

Sumitomo's agreement to act on behalf of the IDB follows study by a five-man team of the opportunities presented by the province.

Mr Haroichi Nishiyama, senior managing director (overseas) of Sumitomo, said workers in Northern Ireland displayed ettitudes which aligned with Japanese management philosophy. The study team was impressed by their ability to apply existing skills to high technology industries.

The agreement is a long term one which the IDB believes will lead to joint ventures and licensing accords as well as strengthening Northern Ireland's chances of securing direct investments.

Edgley's brief flight ends in receivership, Lynton Mclain reports

Aircraft maker's dream venture grounded

THE PLACING in receivership of Edgley Aaircraft, announced yesterday, follows e traumatic first eight months for the company. Its Optica observation aircraft received an airworthiness certificate in February.

Three months later, the company suffered one of the worst problems e new aircraft manufacturing company could have.

The first Optica to be sold crashed on its first day of duty, May 15. It had been delievered the previous day to the company's first customer, Air Foyle, of Luton, and was chartered to the Hampshire police for observation trials. Two policemen were killed.

At the time of the crash, Edgley claimed to have orders for 84 aircraft at £139,250 each, for a total order book of about £11.6m.

Mr Christopher Barlow—one of the two eccountants from Cork Gulley, appointed by Lloyds Bank, Edgley Aircraft's banker, as receivers — said ebout 46 aircraft were in various stages of manufacture.

"There are firm orders for 16 aircraft and potential orders for a further 100." Mr Barlow stated.

These figures suggest thet the company was building aircraft in the hope thet customers with options for additional machines would convert these into firm orders.

It is unusual for an aircraft manufacturer to proceed so far ahead of firm orders, given the high cost of shop-floor production.

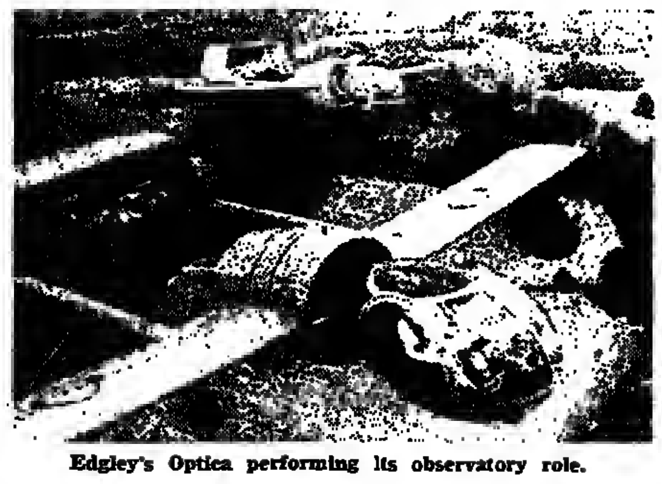
Tha Optica that crashed was the first production aircraft sold by the company after an 11-year development, the prototype having been made et e house in Islington, London.

The aircraft was the brainchild of Mr John Edgley, the chairman and founder of the company. He is e civil engineer who had a vision of a small, slow, fixed-wing aircraft to do observetion work without the capital and running costs of helicopters.

"I did the metal degreasing for the prototype in the bathroom and bed the press shop in the garden," he said soon after the airworthiness certificate had been granted. The prototype Optica was taken in pieces to the Cranfield Institute of Technology, Bedfordshire, for its maiden flight in 1979.

He forecast sales of 2,000 Opticas to the eivil market during the next 10 years.

Mr Barlow said: "I am conducting an urgent review of the company's affairs and should be in e position to decide the short-term future on Tuesday (today)." It is understood that the immediate future of the 27 workers is likely to be decided today.



Edgley's Optica performing its observatory role.

Cable television company calls creditors' meeting

BY RAYMOND SNODDY

SHAW CABLE, the company which holds the cable television franchise for the London Borough of Wandsworth, will hold a creditors' meeting today.

It is the first of the new cable television frachise holders to have such e meeting.

The company, which was largely funded by Advent Technology and Electra Risk Capital, was awarded the Wandsworth franchise by the Cable Anthority, the body which regulates the cahle television industry, in August.

It is believed that the company has exhausted its initial capital and has been unable to attract the investment needed to build the Wandsworth system.

Mr Jim Shaw, chairman of Shaw Cable, will put a plan for the reconstruction of the company before today's meeting. His aim is to set up e new company to go ahead with the franchise.

"We believe in cable and plan to stay with it," Mr Shaw, a former sales director et Thames Television, said yesterday.

He declined to say how mnch Shaw Cahle owed. He said the aim was for the new company to take on the financial obligations of the old.

At the end of September Shaw Cable epplied for the Southampton franchise in the latest franchising round. Mr Robert Maxwell's British Cahle Services has also applied for the franchise.

Transfer of the Wandsworth franchise to a new company will need the epproval of the Cahle Authority.

Mr Shaw helieves his plan to offer menagement services to a number of cable operators is still velld, but it has been hit hy the slower then expected development of cable in the UK and the City's generel lack of confidence in ceble investment.

Dublin fury over RUC 'criticisms'

By Hugh Carnegy in Dublin

THE BRITISH Ambassador to Ireland, Sir Alan Goodison, was summoned to the Irish Department of Foreign Affairs yesterday after reports that the Chief Constahle of the Royal Ulster Consthulary had criticised Irish policy on terrorism in a speech in the U.S.

The Irish Times, quoting reports hy two U.S. journalists, said Sir John Hermon, RUC chief, had told a seminer at a conference of the International Associetion of Chiefs of Police in Houston last week that a drugs prohlem in the South had forced the gardei (police) to reduce its campaign against terrorism.

He reportedly complained of the "lack of priority" given to terrorist prohlems by the Dublin government and said "terrorists were able to live in safe houses yards from the border."

The Department of Foreign Affairs called the remarks "plainly so nntrue as to be beneath the requirements of refutation." Sir Alan was informed of the Government's concern on the instructions of Mr Peter Barry, the Irish Foreign Minister.

Senior-level relations between the gardai and the RUC have been strained for some time and this latest upset could further complicate the Anglo-Irish talks on Northern Ireland.

Irish Government and security sources said there wss official amazement et bolh the tone and timing of Sir John's comments.

A senior gerdai officer specifically rejected one of Sir John's reported charges — that of 94 extradition requests made by the RUC to the Repuhlic, only four hed been honoured.

Unscrupulous estate agents 'inflating house prices'

BY ANDREW FISHER

UNSCRUPULOUS estate agents have pushed up house prices in some areas by competing for business without taking sellers' best interests into account, Mr John Thomas, housing market spokesman of the Royal Institution of Chartered Surveyors, said yesterday.

House prices have generally shown little increase in the past three months, though buying activity has risen, the RICS said in its latest survey of the housing market.

Agents in some areas had plenty of second-hand homes available while elsewhere there was e shortage. But "on one point, agents seem to be in agreement — there are a number of properties with grossly inflated asking prices," said Mr Thomas.

This was especially prevelent in places with several agencies, notably in southern England, where potential sellers tend to put their properties with more than one agency. "Unscrupulous agents compete to secure instructions, without regard for the best interests of those selling property."

In its survey of 234 estate agents, the RICS found that more than half reported stable house prices, 99 indicated an average increase of 2 per cent and 12 recorded rises of up to 5 per cent. East Anglia, however, showed a more definite upward trend—all agents reported increases and e livelv market.

The RICS said first-time buyers were particularly ective, with pre-war terraced and new houses remaining popular. Lower interest rates and an ample supply of mortgage funds also helped encourage business, but the full effect of the cut in mortgage rates had still to be felt.

British Library to boost income by more sales

BY JAMES McDONALD

A LARGER PART of the British Library's income should come from increased sales of services, publications, co-operative ventures with the private sector and from donations, the library says in its five-year strategic plan, published yesterday.

It has been decided, however, not to charge for admission to the reading rooms et present, "hut we shall examine the scope for charging for premium services which make beavy demands on staff time," says the report.

The library aims to increase by 5 per cent e year the proportion of its income earned from sale of services but it depends on the Government maintaining its level of funding in real terms.

"We do not expect preferentially favourable financial treatment from the Government should these initiatives yield less than the 5 per cent annual growth in earned income," writes Sir Fred Dainton, chairman of the British Library Board, in a foreword to the publication.

"Conversely if the library secures more than 5 per cent growth it must not be penalised by any further cutback of the grant-in-aid for that would be a major disincentive to self-help. Whet the library does seek is guaranteed, stable, level funding in real terms."

The plan confirms the library's commitment to the programme for the new building et St Pancras in London and to e comprehensive netional research collection, while developing wider services which can generate revenue.

Features of the plan include: the development of better services to sectors such as science and technology a commitment to new technology as a means of improving services; and a new on-line bibliographic system.

The plan also stresses the need to develop coherent national policies for the collection of non-book materials, such as electronic publications, films, sound recordings, slides and videos.

There will be wider marketing of the library's services, with the appointment of a corporate marketing manager.

Advancing with Knowledge: The British Library Strategic Plan 1985-1990. British Library Publications Sales Unit, Boston Spa, Wetherby, West Yorkshire. £2.50.

Peacock group defines role

BY RAYMOND SNODDY

THE PEACOCK Committee which is looking into the financing of the BBC does not have "the power of life and death" over Britain's broadcasting system, Prof Alan Peacock emphasised last night.

"We analyse, we may recommend, but we do not decide" he added.

It was far from certain that the committee would want to commit themselves to any given set of objectives. And even if it did it would not want to claim that these were the only ones worth considering.

He was speaking at the annual meeting of the Voice of the Listener, the organisation set up to encourage high standards in radio.

The committee is looking et the feasibility of funding the BBC partially or entirely from edvertising.

UK NEWS

HONDA PUBLICITY FORCES BL TO RELEASE DETAILS OF NEW JOINT PROJECT

Austin Rover lifts cover on executive car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER, the cars subsidiary of the state-owned BL group, today slightly lifts the veil of secrecy surrounding its XX executive car developed in co-operation with Honda of Japan.

The company reveals that some versions of XX will be powered by a new two-litre engine it has developed over the past three years. Austin Rover will not release details of the car or even official photographs until much nearer the time of the car's introduction next summer.

It was forced to take some action, however, to prevent itself being upstaged by Honda which today gives details in Japan of its version of XX in advance of next week's Tokyo Motor Show.

Austin Rover emphasises that the two versions of XX look completely different even though they share a common body understructure, fundamental chassis components and can be produced on the same manufacturing facilities.

The UK company also wants to prove that a great deal of Austin Rover expertise and technology has gone into the venture, and that it did not have to rely on Honda for all the advanced technology.

It therefore gives some details of its new engine, called the M16, a 16-valve, four cylinder unit which uses "lean burn" technology that should enable it to meet future stringent European Community emission regulations without employing an expensive three-way catalyser but just a simple oxidation catalyst.

Austin Rover will also be introducing a new and, it claims, exceptionally efficient single point fuel injection concept on the engine in addition to the now commonplace multi-point system. The company says the system, which was developed entirely by its own engineers, results in better fuel economy.

Austin Rover is still keeping the XX luxury model under wraps, but Car magazine has provided this "sneak preview" of the car developed jointly with Honda and to be launched in the UK next summer.

Mr Harold Musgrove, chairman of Austin Rover, also revealed that the XX will be launched in Britain with five models using three different engine specifications. It has previously been announced that the new Honda 2.5 litre V6 engine will feature in both the Austin Rover and Honda ranges.

He would not give any indication of the name to be used, but it is understood that the model, which eventually will replace the company's large Rover saloon, will be called the Rover 800 in Europe.

Mr Musgrove said the new car would have doors that could be opened just by pointing a small hand-held unit at a sensor located behind the windscreen. The position of the driver's seat could be programmed to the ideal position for an individual motorist so that at the push of a button the seats and the position of the door mirrors would be automatically adjusted to suit the driver's programmed requirements.

"XX will no doubt play a key part in the future of Austin Rover," said Mr Musgrove. "It will be the flagship of our model range which I believe will show the world that we are back on the road to viability."

The Austin Rover version of XX will be built at Cowley, Oxford, and the Honda version will be built alongside it from September or October next year for sale in the UK and Europe.

Investor protection framework for City takes final shape

BY ERIC SHORT

THE FRAMEWORK for the statutory-backed system of investor protection and City of London regulation took its final shape with the announcement at the weekend of two more self-regulatory organisations (SROs) to go alonside the five already announced.

The two new SROs cover the marketing of investments side of the regulatory system – the Life Offices SRO and the Life and Unit Trust Intermediaries Regulatory Organisation, according to the Securities and Investments Board (SIB).

The White Paper (policy document) on investor protection envisaged two main boards to regulate its proposals – the SIB, covering mainly the City of London and the Marketing of Investments Board, to deal with pre-packaged investments, chiefly life assurance and unit-trust contracts.

SIB is already being established under the chairmanship of Sir Kenneth Berrill, but so far only the Marketing of Investment Board Organising Committee (MIBOC) has been established under Mr Mark Weinberg.

The five SROs already announced cover the complete spectrum of City activities as implied by their names. They are already at various stages of development.

The Stock Exchange and the National Association of Security Dealers and Investment Managers (Nasdim) are well established. The Association of Futures/Brokers and Dealers has got as far as setting itself up and issuing rules for members.

The other two bodies are in embryonic form – the Investment Management Regulatory Organisation and the International Securities Regulatory Organisation. The latter already has become embroiled in controversy within the City.

Those five would come under SIB, although Nasdim is also under the marketing umbrella. Unit trust groups, financial services groups and insurance brokers are busily joining Nasdim.

The other two SROs, for the marketing side, are as yet simply suggestions – the Life Office SRO and the Life and Unit Trust Intermediaries Regulatory Organisation.

A notable absentee in the otherwise comprehensive framework is the control of the building societies. They have a representative on MIBOC, but as yet that involvement appears confined to the life assurance marketing activities of building societies staff.

● The Association of International Bond Dealers (AIBD) has invited its UK members to a meeting on November 14 to discuss self-regulation. The AIBD is advising those of its members who will come under the new investor protection legislation to join the proposed International Securities Regulatory Organisation (ISRO).

That self-regulatory body is intended to cover not only bond dealers, but traders in other international securities such as shares and money market instruments. The plan to form it has drawn criticism from the Stock Exchange, whose chairman, Sir Nicholas Goodison, last week called for a centralised system of regulation.

ISRO will have a fairly basic regulatory role with its members also belonging to designated overseas exchanges, one of which the AIBD is expected to be. It would define rules needed in addition to those set by the various exchanges, apply "fit and proper" tests to members, arrange a compensation fund as necessary, and establish capital adequacy rules.

Members will be asked for an initial contribution of £3,000, or £1,000 for firms whose UK operation involves 15 or less staff.

● Nasdim is to appoint a new chairman. Mr Mark St Giles, joint managing director of the GT fund management group, will take over the post in mid-November.

Mr St Giles will succeed Mr Robin Hodgson, chairman of the financial services group Granville & Co, who has been appointed to SIB. Mr Hodgson has chaired Nasdim since its formation in 1961 from the earlier Association of Licensed Dealers. It was not thought appropriate for him to sit on the SIB and on one of its subordinate organisations at the same time.

Before joining GT in 1983, Mr St Giles was managing director of the Jessel Britannia and Allied Hambro unit trust groups, and chairman of the Unit Trust Association. He was also a member from 1981 to 1983 of the Council for the Securities Industry, which once sought to become the main regulator of London's financial community, but which died last week.

Nasdim also expects to appoint a second deputy chairman, alongside Mr Geoffrey Pointon, the present deputy, after its annual meeting next month.

Mr St Giles's appointment comes at a time when the position of the unit trust industry within the proposed self-regulatory framework appears uncertain. It might increase the willingness of many unit trust groups to join Nasdim, most of whose members are insurance brokers and independent investment advisers.

Enterprise body denies blunders

BY RICHARD EVANS

THE GREATER London Enterprise Board (Gleb) gave its detailed response yesterday to allegations that it has squandered millions of pounds of public money.

The core of its defence was that Gleb, far from costing millions of pounds through unwise investments and poor financial controls, had created thousands of jobs in the most difficult areas of London and had saved the Exchequer £30m in unemployment and other payments.

"It is a record that compares very favourably with that of private venture capital organisations and one we are proud of," said Mr John Palmer, Gleb's director of information, at a press conference called to refute television and newspaper allegations.

The Standard, the London evening newspaper, claimed to have exposed "a catalogue of disastrous business deals and blunders . . . which may have cost ratepayers between £7.5m and £15m."

On a London Weekend Television programme, Mr Robin Atkins, a member of the Gleb board until he resigned in July, spoke of Gleb's waste of money "on a grand scale" and called on the Greater London Council to sack Mr Alan McGarvey, Gleb's chief executive.

Mr Palmer said it was a "contemptible lie" to say that Gleb had squandered public funds. Of £50m received from the GLC over the past 2½ years, £18m had been put into enterprises providing 3,000 jobs; £16m had been invested in property that would provide space for 4,000 jobs; £8m was in grants and purchase of fixed assets, mostly technology networks; and £8.5 was in cash balances.

The £10m spent on overheads and staff costs was a lower proportion of budget than at other public sector development agencies.

Mr Palmer agreed that there had been losses of £4m on investments, mainly in property, and total losses could reach a maximum of £9m if overhead costs of failed enterprises was taken into account. Set against a total budget of £59m, "that is an extremely respectable rate of loss, operating in some of the most risky areas of economic enterprise."

In general, Gleb's property portfolio had increased in value from the £18m it cost to a current valuation of £20m.

UK NEWS

Coal price rise pitched below rate of inflation

BY MAURICE SAMUELSON

THE NATIONAL Coal Board (NCB), announcing its first round of price rises since the end of the miners' strike last March, claimed yesterday that they represented the first tangible benefit of its post-strike drive to reduce its costs.

Although industrial and domestic coal prices will increase by about 4.5 per cent next month, the rise is 1.4 per cent below the general rate of inflation, a substantially wider gap between the two indices than in previous years. It is also the fifth year running that coal prices have remained below the general inflation level.

Mr Malcolm Edwards, NCB commercial director, said that in real terms coal would now be 4 per cent cheaper than in November 1980.

The increase does not apply to the prices paid by the Central Electricity Generating Board (CEGB) the boards biggest customer. These are still being negotiated. Because of the CEGB's purchasing power, the power station coal prices are likely to go up by even less than the listed prices.

Together with the dearer coal for power stations, the new prices will raise the NCB's income by between £150m and £200m in the next year.

A tonne of industrial coal at the mine now costs between £40 and £50. Retail prices for house coal vary from £75 to £110 a tonne, depending on in which part of the country it is sold.

With labour costs beginning to fall in the wake of the strike, Mr Edwards said he thought the NCB should be able to do better than meet its present objective of breaking even by the end of the 1986-87 financial year.

The main factor was the speed with which the industry was getting rid of its over-manning. "This problem is now running out of the industry on its own two feet," he said. He also praised the growing realism among the rank-and-file of the industry, exemplified, he said, by recent events in the Nottinghamshire coalfield where miners voted to break away from the National Union of Mineworkers and join the new Union of Democratic Mineworkers.

Referring enthusiastically to the newly-formed union, he said he hoped it would give the board "a tough time," because the new union, unlike its rival, was realistic and "not plugged into some extra-terrestrial source."

Commenting on the NCB's aim to produce coal with a maximum heat value of 17.5 pence per therm, he said it would enable the board to pay its way, earn money for investment and be robustly competitive against other fuels and foreign coal.

Industrial wholesale coal prices will generally rise by 4.5 per cent while wholesale prices for domestic fuel will rise from about £2.25 per tonne for house coal to about £4.50 for the top-quality smokeless fuels.

Voicing the board's determination to price its product commercially, Mr Edwards said that "nothing could be clearer proof of the progress we are already making in sorting out costs. We are closing the hopeless end of our business where the costs are way above the prices markets will pay."

The industry, he said, could "confidently look forward to finding the customers it needs to sell 90m tonnes a year of deep-mined coal if we can sustain the impetus."

Key stake sold in Wembley Stadium

By Terry Povey

MR ABDUL SHAMJI has sold his key stake in the complex of companies that controls the Wembley Stadium and its 70-acre site on the outskirts of London. The buyer is a consortium led by Mr Brian Wolfson, chairman of the industrial holding company Anglo Nordic.

The deal comes after months of negotiations between Mr Shamji's master company, Gomba Holdings and a variety of suitors.

Mr Shamji has been under pressure to sell assets since the collapse of Johnson Matthey Bankers (JMB) in September 1984 and the rescheduling of Gomba's £19m debts with the bank.

Recently it was announced that JMB and Mr Shamji had reached an agreement that would involve the disposal of assets by Gomba. In addition to its debts with JMB, Gomba owes around £20m to other banks in the UK.

Pressure for a settlement of affairs at Wembley has also come from BET, the industrial holding company that once owned the stadium outright. Today, BET has a 49 per cent stake in Arena, the main operating company for the stadium.

Arena is 68 per cent owned by Arena Holdings, whose principle shareholders are London Leisure and Arts Centre (LLAC), Mr Harry Goodman (of Intasun), Mr Jarvis Astaire and Stockley Properties.

Mr Shamji is believed to have paid some £4m for his 85 per cent stake in LLAC. While no figure has been given on the sale to Mr Wolfson, the sum is said to be around £7m.

The pressure from BET took the form of a winding up petition against LLAC for the non-payment of some £4m in loans and interest. This petition from BET was heard in the courts yesterday and all parties agreed to a 28-day adjournment.

According to those involved in the discussions with the Wolfson consortium, negotiations are now proceeding between it and the other parties at Wembley for a comprehensive deal that involves a £50m restructuring of the ownership and the launching of a major development financing campaign.

Tighter rules to halt corruption at state agency

By Andrew Fisher

NEW GUIDELINES aimed at curbing fraud and corruption in the Property Services Agency (PSA), the body which manages the Government's £10bn portfolio, would be issued before the end of the year, the Government said yesterday in a reply to the critical report of the House of Commons Public Accounts Committee.

It will speed up disciplinary action by allowing departments to handle minor cases of theft or deception without involving the police, and to take early action against managers whose negligence has allowed funds to be taken by another officer who is subject to prosecution.

In August the Government acted to improve its internal audit systems after the fraud disclosures. The Commons Committee said earlier this year that it was disturbed at the extent of fraud and corruption. The first cases were revealed in 1982.

Call for greater efforts to conserve gas supplies

BY MAX WILKINSON, NATURAL RESOURCES EDITOR

BRITISH GAS should be required to put much more effort into energy conservation schemes after it has been privatised, an energy expert said yesterday.

Professor Gerald Manners, of University College London, told the Institute of Petroleum that the gas industry had been reluctant to accept that its interests might be served by investments intended to limit demand for its product.

Although British Gas had helped customers to instal more efficient boilers and other equipment, partly to help gas maintain its competitiveness against electricity, much more needed to be done.

The privatisation of British Gas, therefore, gave the Government a chance to revise some of the basic principles that shaped the energy market in the country, he said.

To this end, the new gas regulatory authority should have power to ensure that the privatised supplier should be required to look at different possibilities for conservation. This would be aimed to ensure the lowest long-run cost of gas to the consumer.

Prof Manners, who has studied the regulation of private gas authorities in the U.S., said that this was one of the most important regulatory principles in many states.

He also believed that the operations of British Gas would need to be more open to public scrutiny after privatisation. This was necessary to ensure that the public understood that profits were reasonable and that inefficiencies were not being compounded.

The regulatory framework, he said would have its most important impact on gas pricing and the profits of the industry. Profits would also be closely related to the tax regime decided by the Government.

In making decisions on these issues, the Government would have a difficult task to balance the long-run interests of the consumer and the likely profitability of the new company.

Contracts and Tenders

GABINETE DA AREA DE SINES

Pré-qualification for the Public Service Concession for the Operation of the Sines Coal Terminal

GAS — Gabinete da Área de Sines, invites companies, or groups of companies, with experience in the operation of coal terminals, to submit appropriate technical, commercial and financial data to enable GAS to prequalify prospective bidders for the operation of the Sines Coal Terminal.

This pre-qualification will enable GAS to enlist prospective bidders to be invited to tender for the public service concession concerning the operation of the Sines Coal Terminal, including the design, supply, assembling, testing and start-up of the coal handling and storage equipment.

Pre-qualification will be based on the following parameters:

- Technical, commercial and financial capability;
- Share of portuguese participation in the design and supply of the equipment;
- Antecipated financing structures connected with the project.

When applying in group, the prospective bidders will be required to appoint a group leader and to provide information on the legal structure of the group.

Interested bidders should request terms and conditions from

Gabinete da Área de Sines
Gabinete de Relações Públicas
Rua Artilharia UM, 33 - 3.°
1297 LISBOA CODEX
PORTUGAL
Telex: 12572 GASLIS P

Only requests accompanied by a non-refundable cheque payable to Gabinete da Área de Sines for the amount of US$ 3000, or the equivalent in Portuguese escudos will be actioned.

Bids must be delivered to GAS at the above adress not later than 17 hours local time, on November the 21st, 1985.

All bidds will be opened by GAS on November the 22nd 1985 at 10 a.m. local time, at the 7th floor of Rua Artilharia Um, 33 — Lisboa.

Computer to assess Lloyds loan applications

By Alan Cane

CUSTOMERS LOOKING for a personal loan from Lloyds Bank will soon have their wishes granted by computer —if they pass the banks credit scoring test.

In what is claimed to be the biggest order in the UK for viewdata terminals, Lloyds plans to install 1,550 Sony nine-inch viewdata screens in 1,500 branches at a cost of £1.5m.

The system, to be operated by Lloyds staff, means the forms necessary for a personal loan or an insurance quotation can be completed on screen.

The decision on whether to grant a loan is then settled by the computer, already programmed with Lloyds credit scoring ratings. No personal information will be held on the system apart from credit information which the bank can buy from credit rating bureaux.

The bank said that if the system accepted a loan proposal, it would be granted immediately. If it was rejected the branch manager would give a second opinion. Nobody would be refused on the basis of the computer verdict alone.

Banks 'must make better use of technology'

BY ALAN CANE

THE WORLD'S financial institutions must develop cost-effective services attuned to real market needs if they are to make the best of the opportunities offered by electronics. They must lead, rather than be led by, the technology.

This was the principal theme running through the third Financial Times electronic financial services conference which opened in London yesterday.

Mr J. M. Williamson, formerly director of the Inter-Bank Research Organisation, said the banks had been successful in developing branch automation. Customers, however, had made only modest use of tha new technology.

He said the shape of electronic financial services in future would be determined by technology, pricing policies and institutional change. "What we have seen so far in banking technology will seem insignificant by the year 2000."

Mr Williamson is now director of research and planning in the Association for Payment Clearing Services, established two weeks ago. He said the new clearing structure recommended in the Child report, which argued for opening ownership of clearing services to all suitably qualified institutions, should be in place by December

"Any financial institution in the business of providing payment services that can meet a set of objective criteria will be free to become a clearing bank," ha said.

FINANCIAL TIMES
ELECTRONIC FINANCIAL SERVICES
CONFERENCE

Mr John Harrison, a partner in Touche Ross Management Consultants, reviewing a study carried out by his company which concluded that senior bankers were disappointed by their investment in electronic technology, said there was "too much computer power chasing too few deposits."

Financial institutions were not seeing lasting competitive advantage from their investments. He said there was no proof that automated teller machines (ATMs), the banks-in-the-wall, were successful or even necessary.

In the U.S. last year, some 4bn transactions were carried out through ATMs which should have given the banks full scope for profit. They wera spending $2bn a year on ATMs, however, and not recovering their charges.

Mr John Hardy, head of automated banking at National Girobank, said his organisation had decided in 1981 that it must have ATMs to satisfy its customers. It was a member of the Link consortium, a group of financial institutions which planned to share their ATM networks. "It is our firm belief that the life cycle of ATMs is not yet fully matura, but closely coupled with that of electronic fund transfer at the point of sale (EFTPOS)."

For the building societies, Mr Peter Lumb, managing director of the Leeds Permanent, said they were not limited by technology. "The problem is the large range of technology options, intertwined as they are by changes in the financial services market place."

He warned that there was a lack of preparation at national level for the coming of electronic money. "There is a need for a co-ordinated national elactronic financial infrastructure, especially to payment services. There is no sign of proper planning for this—the danger is that it will grow haphazardly as ATM networks, EFTPOS systems and clearing networks further develop."

The theme that electronic banking had more to do with managing information than with gadgetry was reinforced by Mr Eduard Berlin, vice-president for global electronic markets at Citibank. He said: "The new communications are a symbol for a global market place, a market place with no centre of gravity or national preference or dominant currency."

Sir Gordon Borrie, Director General of Fair Trading, said there seemed no reason, in principle, why the national EFTPOS scheme now being mounted by the UK clearing banks should come before the Restrictive Practices Court.

Sir Gordon Borrie: what's in it for the shopper?

But he believed basic questions remained to be answered. "What's in all this for the British public, the housewife, the shopper?" he asked, arguing that incentives would have to be found to persuade the public to use debit cards after credit cards. "Are we now to see retailers encouraged to allow debit card customers to pay less than others?"

Mr David Robinson, chairman of the clearing bank's EFTPOS policy committee, said that even with EFTPOS in place, the volume of paper in financial transactions would continue to grow: "For many years, EFTPOS will have a relatively small impact in comparison with the total number of payments made by other means. By the middle of tha next decade, it is projected that EFTPOS volumes will be running at around 550m a year, the equivalent of only 12 per cent of the total market."

For the retailers, Mr R. H. Pickles, chairman of the Retail Consortium Working Committee, said the cost of EFTPOS and its repayment was the key commercial consideration.

He listed the telecommunications equipment required and pointed out: "People talk glibly about a transaction charge, but which of the elements I have described ara included. For those of us with networks, the cost of equipment pales into insignificance against the telecommunications costs."

Mr Alan Miller, a consultant who was formerly a senior executive at Marks and Spencer with responsibility for its information technology strategy, said bluntly that the retailers were not ready to be partners on equal terms with the banks.

He thought funds transfer would come a poor second to the plastic card. M Louis-Noel Joly of Société Générale argued that the mixed "smart" card with an embedded microcomputer and a magnetic stripe would be the "ultimata waapon." He said, "It alona provides a smooth transition from the current situation to the solution of the future."

Citicorp offers equity finance for buy-outs

BY WILLIAM DAWKINS

CITICORP Venture Capital, part of the U.S. investment bank Citicorp, has made available £100m of equity finance for medium-sized to large management buy-outs in the UK.

Tha fund is the first of its type to be launched by an overseas bank in the UK. If the loan finance to be offered with the equity were taken into account, the total capital available could reach between £400m and £500m.

The initiative responds to the growing number of large management buy-outs in the UK, such as the £173m purchase of Mardon Packaging from B.A.T Industries in August and tha £52m acquisition of the St Regis paper and packaging group earlier in the yaar.

The Citicorp fund will concentrate mainly on buy-outs with a minimum equity content of £10m. Eight deals in that category have been completed in the UK during the past 18 months. Citicorp estimates that 150 management buy-outs took place in Britain last year, with a total value of £432m.

Mr John Botts, managing director of Citicorp Investment Bank, the venture capital group's parent company, said the bank was already negotiating to complete four buy-outs of large quoted companies. "The market has a huge multiple in terms of growth. It will develop as the funds become available," he said.

The fund expects to invest alongside other financial institutions in most of its deals and intends to participate in or lead 28 buy-outs during the next five years.

Smaller management buy-outs will continue to be handled separately by the group's venture capital arm. Scrimgeour Vickers, the Citicorp stockbroking subsidiary formed from the merger of Vickers da Costa with Scrimgeour Kemp-Gee, will help to introduce deals, said Mr Botts.

Management buy-outs hava become more frequent in the UK during recent years as large industrial groups have tended to reverse the acquisition policies they pursued in the 1970s.

Electra Investment Trust and Candover Investments announced in July plans for a £300m standby facility for large management buy-outs — the biggest facility of its kind in the UK. F & C Enterprise Trust, an investment trust that specialises in unquoted companies, is believed to be raising £20m for a buy-out fund, and a British merchant bank is expected to announce a £50m fund soon.

Government Actuary 'did not mislead' on pensions

BY ERIC SHORT

ATTEMPTS by ministers to blame the Government Actuary for ending the political concensus on pensions were attacked last night by Mr Joe Macharg, President of the Faculty of Actuaries.

In his presidential address in Edinburgh he said the Green Paper outlining the Government's pension reform proposals showed them to be so ill-conceived—even juvenile—that they would bring the Government into disrepute, if not ridicule, if proceeded with in their original form.

The Government proposals, centred on abolishing the State Earnings - Related Pension Scheme (Serps) and replacing it by personal pensions, would, among other things, end the political concensus reached between the main political parties when the 1975 Social Security Pensions Act was being considered. This aspect has been opposed by almost all the pensions industry.

Tha Government's action has been defended by Mr Norman Fowler, Social Securities Secretary, and others on the grounds that the Government Actuary, Mr Edward Johnston, has misled everyane on the likely costs of the scheme in the next century.

Mr Macharg told Scottish actuaries that this was not the case and that the fact of likely adverse demographic trends had been conveyed to the Government. He condemned politicians for trying to implicate a distinguished civil servan who was prevented from defending himself.

Mr Macharg attacked the Government for what ha called the haste with which it was handling pensions reform. Pensions were about giving a decent standard of living in old age for everyone, not about interesting theories of making everyone their own capitalist.

Mr Edward Johnston: defended by colleagues

He understood that parts of the Green Paper were being drafted only hours before publication. This was not the way to plan structures supposed to last for decades.

Mr Macharg also said that actuaries were coming under increasing public scrutiny and that they faced the need to explain and perhaps justify this to a wider audience that could be sceptical of jargon.

In particular he warned them of the problems they faced in conveying illustrations of future benefits under lifa and pensions contracts, particularly with-profit quotations.

School funding attacked

PARENTS are donating £40m a year to state schools, the country's largest parent-teacher pressure group said today.

Most PTAs are providing funds not just for extras but also for essentials like books, the National Confederation of Parent Teacher Associations claimed.

In a report published yesterday it warned that children in poor areas were suffering most because of the increasing reliance on parental fund-raising.

The group, representing 4m parents and teachers, says that primary school parents are contributing on average £6.56 per pupil. In secondary schools, £3.21 per pupil was being raised through raffles, fetes and other activities.

The confederation's survey of the effects of lack of resources in English and Welsh schools says there is an "alarming state of deterioration as schools struggle to maintain standards in the face of increasing lack of resources."

PTAs had used funds to provide "essential" in 82 per cent of primary schools and 84 per cent of secondary schools taking part in the survey. This was creating schools which were unable to offer the same richness of curriculum as schools in more affluent areas, creating an increasing number of disadvantaged children.

Retailers urge restraint on Sunday trading laws

BY LISA WOOD

THE NATIONAL Chamber of Trade, which represents about 200,000 retail businesses, yesterday launched a campaign to ward off what it called a Sunday trading free-for-all.

The Government, in response to the Auld committee inquiry into the Shops Acts, is expected to introduce a Bill in the next parliamentary session to remove all restrictions on shop trading hours.

The National Chamber of Trade, in its campaign, urges a middle way, with any new Bill retaining some restrictions.

The NCT said consumers were said to want "total freedom to shop whenever the fancy takes them, yet will not accept that increased prices would be needed to fund such an operatioo."

Traders were anxious to carry out their function effectively and to the customers' satisfaction but feared the physical and financial consequences of extended trading hours.

"Employees have no wish to extend the unsocial hours they currently are expected to work and environmentalists and others will resist attempts to destroy the present character of Sunday."

The campaign, under the banner Keep Sunday Special, urges that shops do not open for more than 60 hours a week. Instead of total de-regulation it wants a system whereby local authorities could grant licences in areas where most shop-owners favour Sunday opening.

The NCT, a confederation of local chambers of trade and commerce and of 30 national trade associations, has sent a draft of its proposals to the Auld committee and is urging bodies which share its views to lobby their MPs.

No shift in pit review procedure

BY JOHN LLOYD AND ROBIN REEVES

THE NATIONAL Coal Board yesterday ended in practice its efforts to find an agreement on a revised colliery review procedure, which would include an independent arbitrator to adjudicato on disputed pit closures.

By announcing the closure of St John's Colliery in South Wales, and in its announcement to be made today of the closure of Bates and Horden in the north-east, it has retained tho old review procedure. undor which the board was tho final arbiter and in which no indopendent advice was entertained.

Tho importance of this lies not just in the closure of the pits, and in the certainty that other pits will now be pushed through the review procedure as quickly as possible. It lies, too, in the willingness by the board to take on the chin accusations that it has broken faith by not instituting an agreement which it last year described as "sacrosanct"—a word that was echoed by both Mr Peter Walker, the Energy Secretary, and the Prime Minister.

There remains the possibility that the unions and the board will agree on a procedure before the end of the month—the time limit set by the board — but that looks uncertain and may not now include Bates, Horden or St John's.

Mr Emlyn Williams, the Sonth Wales NUM president, described tho announcement of St John's closure as "treachery." Earlier, Mr Cliff Davies, the NCB area director, told tho NUM officials that the pit was losing money at tho rate of £69 a tonne, and that continued production could not be supported.

The closure of St John's brings to 11 tho number of pits to close in South Wales since the end of the strike, one third of the total. The net effect will be, said Mr Davies, to bring the coalfield into profit in the first quarter of next year—the first time for many years—and to reduce tho numbers of miners from over 20,000 before the strike to under 15,000.

Mr Davies said thot the sharp upturn in the results of long-life Welsh pits had reduced losses in September to £67.90 a tonne, compared with a deficit of £22.44 in August. Some 85 per cent of Sonth Wales coal was now being produced at a break-even level, he said.

NUM trustees 'ready to sue Scargill'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE NEW trustees of tho National Union of Mineworkers told the High Court yesterday that they were prepared to pursue a £1m claim against Mr Arthur Scargill and other NUM leaders—"subject to independent legal advice."

The claim against Mr Scargill, vice-president Mr Mick McGahey and general secretary Mr Peter Heathfield, has been started by Mr Michael Arnold, the court-appointed receiver of tho NUM's assets.

He wants the three men ordered personally to repay tho money that the union's defiance of the low has cost it.

The new trustees—Mr Alex Eadie, Labour MP for Midlothian, Mr Mick Welsh, MP for Doncaster North, and Mr John Cummings, leader of the Easington (Co Durham) council—yesterday asked tho court to say they were "fit and proper" persons to take back control of the NUM's funds from tho receiver.

All three told Mr Justice Mervyn Davies that they would act impartially in the interests of the union and its members, and would obey the law.

All three said they had supported the strike.

Asked if they would be prepared to pursue Mr Scargill, Mr McGahey and Mr Heathfield, the union's former trustees, into bankruptcy through tho legal action against them, they said they would act according to independent legal advice and would eccept the court's judgment.

Mr Govin Lightman, QC for the NUM and trustees, said that union'a officers were prepared to sign an agreement the union had prepared not to sue Nobis-Finanz International, the Luxembourg bank that handed over £4.9m of NUM funds to the receiver earlier this yeor.

Tho union's reluctance to agree not to suo Nobis has been one of the major obstacles stopping the ending of the receivership.

Mr Peter Cresswell, QC, for Mr Arnold, said that the union's document was not in an occeptable forum.

The bearing was adjourned until today ot Mr Lightman's request. He said the trustees needed to know exactly what information Mr Arnold wanted, and what documents be wanted signed, in respect of outstanding problems in Luxembourg, Switzerland, Ireland.

Bank 'faced pressure'

PRESSURE was put on the Bank of England not to open an account in the name of the National Union of Mineworkers, the High Court heard yesterday.

Answering an ellegation that NUM money has been invested in South Africa by the union's receiver, Mr Michael Arnold, of City accountants Arthur Young, through Standard Chartered Bank, Mr Peter Cresswell, QC, said that on his appointment Mr Arnold had wanted to open an account in the NUM'a name.

He approached Barclays Bank but, after the matter had been referred to the bank's chairman, the request to open an account was denied.

Taking the view that other clearing banks could well take the same approach, Mr Arnold contacted the Bank of England, whose chief cashier agreed to open an account.

"Shortly thereafter Mr Arnold was telephoned by the Bank of England and it was explained that due to pressures on the Bank of England they would have to decline his request for an account.

"The Bank of England was embarrassed by this, but, rather than leave Mr Arnold in the lurch, it telephoned around and found that the Standard Chartered Bank, a recognised bank, was willing to accept the account."

NUT test case hearing soon

BY DAVID BRINDLE, LABOUR STAFF

A TEST CASE to determine whether a teacher is contractually bound to cover for an absent colleague could be heard before the end of next month.

Employers' organisations believe that the case brought by the National Union of Toachers may be beard in time to have a bearing on the current pay dispute, in which so-called "no-cover action" has had an important impact.

The NUT has brought actions against five education authorities — Doncaster, Rotherham, Solihull, Croydon and Bexley—which have docked teachers' pay for refusing to cover for colleagues during the dispute. It is possible that all five will be taken as one.

The NUT and other teachers' unions argue that covering for colleagues is not part of their members' contracts and that boycotting it is a legitimate sanction to deploy during disputes.

Covering for colleagues is one of the duties both Sir Keith and the authorities want to make explicit in a new teacher contract.

No TGWU deal

AN ARTICLE in the FT based on a report by Industrial Rolations Services, the independent pay research body, stated on September 9 that Nabisco, tho U.S.-based food group, had signed a deal containing a pre-strike ballot provision with a number of unions, including the Transport and General Workers' Union. The TGWU has pointed out thet none of its members are covered by such agreements ot Nabisco and IRS has published a correction in its latest journal. Nabisco has confirmed that tho original suggestion that the TGWU was party to these agreements was due to "internal miscommunication."

TUC rejects engineering union offer on ballots

By John Lloyd

THE TUC's finance and general purposes committee yesterday turned down an offer from the Amalgamated Union of Engineering Workers to set out TUC opposition to the union's 1m members taking state aid for ballots in the votc on the issne due to take place next month.

Tho decision to neither pnt an article in the AUEW journal nor an insert in tho ballot envelope is an indication of the anger felt by the TUC leaders that the "spirit of the agreement" reached between tho two sides at the Blackpool TUC Conference last month had been breached hy tho union.

Mr David Basnett, general secretary of the General Municipal and Boilermakers Union, said last night that there could be no speical conference or separate agreement on the TUC'a attitude on labour laws which could intervene to alter the position.

The AUEW was warned during the Blackpool congress that the consequences of a "yes" vote in the ballot — the expected outcome — would mean instant suspension from the TUC.

National bus strike day called

BY DAVID THOMAS, LABOUR STAFF

A ONE-DAY national bus strike has been called for next Tuesday by the Transport and General Workers' Union in protest against the pension arrangements contained in legislation to privatise tho bus industry.

The call wilt go out to tho TGWU's 70,000 members in the National Bus Company and in local authority bus services. London Transport, the Scottish Bus Group and private operators will not be affected.

Mr Bill Morris, TGWU depoty general secretary designate, said yesterday that after privatisation workers in tho NBC would receive worse benefits than they now get. This was because, undor tho Government's proposals, the assets of the NBC pension fund would be transferred to o privote insuraoce scheme.

Tho Department of Transport said yesterday that its latest proposals would not lead to a worsening of workers' benefits.

In the local authority area, the union is concerned about the lock of guaranteo that bus workers will be able to retain membership of local anthority superannuation schemes.

Mr Morris predicted that the strike call would be well supported: "The issue of pensions is such an important one for tho future security of people that they will support it."

The TGWU has asked the TUC to arrange a meeting with the Transport Secretary. The union will consider whether to hold further stoppages after next Tuesday.

The union bas not beld a vote under the terms of the 1984 Trado Union Act. Mr Morris said: "Acting in accordance with our union's policy, we will not be ballotting our members."

A record ballot voted for industrial action when the NBC tried to change bus workers' bargaining arrangements becauso of privatisation.

Equal pay claim appeal to Lords

BY HELEN HAGUE, LABOUR STAFF

A SCOTTISH woman who earns £7,295 fitting artificial limbs for the National Hoalth Service is to appeal to tho House of Lords for equal pay with a male colleague who is paid £2,800 more for doing tho same job.

Mrs Elizabeth Rainey is taking bor case to the Lords with the backing of ber union, the Association of Scientific, Technical and Monagerial Staff and the Equal Opportunities Commission.

Tho decision to back tho appeal—against earlier rulings at industrial tribunal, employment appeals tribunal and court of session bearings—was taken last montb by tho ASTMS executive.

Baroness Turner, assistant general secretary of ASTMS, said women limb fitters at the Belvedere Hospital in Glasgow, where Mrs Rainey works, are being paid markedly less than men doing the same work.

Uotil 1980, all prosthetists — who fit artificiol limbs to patients who have bad amputations — were employed by private contractors in Scotland. When tho NHS prosthetic service was set up, tbese employees transferred to the public sector on their existing rates of pay.

Mrs Roiney was the first limb fitter to be recruited direct into the NHS in Scotland, and is on a lower pay cate than those who were previously employed by contractors.

Baroness Turner said the union believed that the NHS is in breach of indirect discrimination regulations under the 1970 Equal Pay Act. The House of Lords bas yet to give an authoratative ruling on the concept.

By backing the appeal, ASTMS hopes that a precedent will be set

ASTMS is also backing three women speech therapists who are seeking to bring equal pay for work of equal value claims in the NHS. The cases are to be brought under the Equal Pay Act amendment.

UK NEWS—PARLIAMENT and POLITICS

Design seen as force for renewal

By Kevin Brown

THE GOVERNMENT is firmly committee to sponsoring improvements in design as a major force for industrial innovation and regeneration, Mr John Butcber, the junior Industry Minister, told the Commons yesterday.

Mr Butcher was opening a debete claimed by the Department of Trade and Industry to be the first government-sponsored debate on design beld in the legislature of any industrial conntry.

Mr Bntcber said the Government had trebled spending on design initiatives since 1982, and would spend nearly £12m in 1985-86.

He said Britain's industrial problems stemmed from a "mismatcbed economy" in wbich too much of the nation'a human and capital resources had been committed to prodnction of goods for whicb demand was low.

Talented designers were tbe key link between market demands and production facilities, be said.

Mr Butcher said intellectual capital was often more important to companies than fixed assets. There were enconraging signs that bankers and financial advisers were paying more attention to intellectual capital in their analysis of bnsiness.

Mr Geoffrey Robinson, a Labonr industry spokesman, said there was a credibility gap between wbat the Government said abont design and what it did. Public spending cuts were having a seriously deleterious effect.

Police 'need' will be met in inner cities, says Hurd

BY IVOR OWEN

POLICE MANPOWER in London end some provincial centres is to be increased and their anti-riot gear improved in the light of the recent disturbances in parts of London and Birmingbam, Mr Douglas Hurd, the Home Secretary, announced when the Commons reassembled yesterday.

He assured MPa wbo expressed anxiety about the implications of the increasing frequency of breakdowns in law and order in inner-city areas that "need" would be the only test applied by the Government in relation to both men and equipment.

Mr Hurd, making bis parliamentary debut in bis new office, clearly impresaed most Government supporters witb bis carefully balanced response to demanda for more resources to be made available to the police and for the genuine fears of ethnic minorities to be allayed.

He left it to Mr Giles Shaw, Home Offire Minister of State, to ennounce in a written answer tbat the Metropolitan Polire are considering a radio communications link for helmets, tape recorders in helmets (for evidence gathering), personal kitbags for riot equipment, breast plates for women officers, shin protectors, protective boots, first-aid packs and long batons.

He confirmed that the special equipment currently availeble to the Metropolitan Police includes long shields, round shields, Nato helmets, flameproof overalls, protective grilles for vehicles, and CS smoke and baton rounds.

Mr Hurd told the Honse that debate was eontinuing within

Douglas Hurd: parliamentary debut impressed Government supporters

the police service about the use of water cannon which were "awkward and difficult to manoeuvre."

He stressed that water cannon would not bave been any good in the conditions prevailing in the Tottenham riot and indicated that the final decision was likely to be against their use.

Dealing with the strength of the police, the Home Secretary aaid the numbers in the Metropolitan force had gone up by nearly 4,500 since 1979, when the Conservatives returned to office, and there had been similar increases in other forces in England and Wales.

He acknowledged that even after a recent welcome intake of recruits the Metropolitan Police was still about 300 below its present establishment of 27,165 and promised support for the Chief Commissioner in his efforts to make good this shortfall aa quickly as possible.

Mr Hurd promised that the Government would continoe its strong commitment to urban regeneration.

The urban programme had been more than tripled, from £93m in 1978-79 to £[illegible]m in 1985-86, and there had been substantial expenditure in all the riot areas.

He said: "We must ensure that the very substantial sums that go, and will continue to go, to inner-city areas are spent to the best advantage and directed to the real needs of the people whn live there."

While eccepting that there were social problems in the areas where such shocking events bad recently taken place he insisted, to Government cheers, that it was no solution to loot and burn shops aerving the areas concerned, or to atteck the police.

The Home Secretary said: "Moh violence must be dealt with firmly and effectively and criminal ects punished according to the criminal law. The police ahould have the support of all of us in striving to maintain order and uphold the law."

Mr Gerald Kaufman, Labour's Shadow Home Secretary, protested that Mr Hurd had feiled to allay anxieties about the nature of the policing during the recent riots, particularly in relation to the increasing use of fire arms.

He renewed the Opposition's demand for an independent inquiry similar to that conducted by Lord Scarman after the 1981 riots which could look into the background to the riots, including mass unemployment — especially among teenagers — bad bousing, dereliction and racial discrimination.

PLO talks worthwhile risk, says Government

By Our Parliamentary Staff

THE FOREIGN Office does not regret its attempt to hold talks on the Middle East with a joint delegation from Jordan and the Palestine Liberation Organisation, Mr Tim Renton, the Foreign Office Minister of State, told the Commons yesterday.

In a statement to MPs on the first Commons sitting since the talks foundered last week, Mr Renton said the Foreign Office believed "very strongly" that the talks were a risk worth taking. Their failure would comfort only extremists on both sides.

Mr Renton said the talks failed to take place because one of the PLO members refused to endorse a prearranged statement proposing terrorism and accepting Israel's right to exist.

He denied Labonr claims that the talks were called off because of pressure from the U.S.

Mr Donald Anderson, Labour's foreign affairs spokesman, said what had begun as a courageous initiative for peare had ended as a diplomatic shambles.

He accused the Government of making unrealistic assumptions ebont the views of the PLO members, and claimed the Government had managed to annoy everyone involved in the Middle East and to endanger the peace process launched by King Hussein of Jordan.

Conservative MPs regretted the failure of the talks, but there was no criticism of the Government. A number of Conservatives urged ministers to continne efforts to promote peace in the Middle East.

Inquiry into Welsh high-tech company

BY KEVIN BROWN

THE WELSH Office is to carry out an inquiry into the handling of public investment in the Perrott Corporation, a high technology company manufacturing floppy disks in Cwmbran, south Wales.

Mr Nicholas Edwards, the Welsh Secretary, told the Commona yesterday that police investigations were under way, and that the investment would eventually come before the Commons public eccounts committee, which monitors public spending.

Parrott, Britain's fnlly integrated floppy disk plant, was set up in 1983 with working capital of more than £6m, inclnding an advance of £2.5m from the European Coal and Steel Community, and £1m from tbe Welsh Development Agency. The major institutional investors were Commercial Union, Legal and General, and CIN, the Coal Board pension fund.

Labour MPs demanded e full judicial inquiry into public investment in the company and accused the Welsb Office of planning a "white wash."

The issue was raised by Mr Leo Abse (Lab, Torfaen) wbo asked why Mr Edwards had permitted the ECSC advance to be used as a guarantee against a loan, and why the advance had subsequently been frozen by a U.S. bank.

Mr Abse said the guarantee was not disclosed by the WDA to Parrott's institutional investors and asked what steps the government was taking to protect the employees of the company and the public funds invested in it.

He said the affair was not sub judice, and asked Mr Edwards "why you in your guilt remain silent?"

Mr Edwards said the public and private investment package bad secured the establishment of the company, and urged Labour MPs not to create doubts ebout its future.

He said his priorities were to ensure the future of the company and the progress of the police investigation. The internal investigation would be carried out by "an independent person" who would inquire into the handling of the original WDA investment.

Mr Edwards said the details of the inquiry, including the identity of the independent investigator were still being discussed with the Treasury.

He was pressed for more details by n number of Labour MPs, including Mr Roy Hughes (Newport East) and Mr Barry Jones (Alyn and Deeside), the Shadow Welsh Secretary.

Plans for Greenfield site

BY KEVIN BROWN

A MAJOR European compeny is considering moving to the Greenfield plant in Delyn, Wales, closed by Courtaulds, Mr Nicholas Edwards, the Welsb Secretary, told the Commons yesterday.

Mr Edwards said the Government was making £200,000 available to Delyn Borough Council from the Urban Programme "for the further development of the Greenfield site for e major European eompany, subject to that company locating et the site."

He added: "For reasons of commercial confidentiality, I cannot say more at this stage."

Mr Edwards was answering a question from Mr Keith Raffan, (Con, Delyn) who urged the Government to alleviate the effects of the closure of the Courtaulds plant.

Thatcher attacked on S. Africa

By Ivor Owen

OPPOSITION leaders yesterday fired the opening shots in what promises to be a sustained attack on Mrs Margaret Thatcher's attempts at the Commonwealth Prime Ministers' conference in Bermuda to prevent the imposition of economic sanctions against South Africa.

Mr Peter Shore, Labour's Shadow Leader of the House, accused the Prime Minister—still in Nassau—of indulging in "extraordinary and damaging antics" and then adopting an apparent change of stance.

He called for a Government statement to explain Mrs Thatcher's apparent acceptance of the view of other Commonwealth leaders on Sunday night that some economic pressures should be applied to South Africa and then her "scornful dismissal" of the same agreement a few hours later.

Mr Shore said the statement should be made before the Commons debates the imposition of sanctions against South Africa tomorrow.

To laughter and cheers from the Government benches Mr John Biffen, Leader of the House, accused Mr Shore of showing "a little unnatural bellicosity" in his description of the Prime Minister's "stout championing of national interests."

Dr David Owen, leader of the Social Democrats, urged that the debate should be postponed until Mrs Thatcher could be present to answer for the fact that she had now aecepted the economic sanctions package first announced by President Ronald Reagan several months ago.

He stressed that it was not customary for ber to be so hesitant in following the line laid down by the U.S. President.

Some unwritten rules for minority rule

Peter Riddell on outcomes of a hung parliament

IF AT the next general election un single party wins an overall majority there are et least 19 different hypothetical outcomes during the ensuing parliament—ranging from variants of coalition and minority governments to dissolutions at varying times and constitutional crises.

The hung parliament question is again a live topic, at any rate among certain politicians, academics and commentators. It bas already been the subject of a radio discussion and is due to be the main item in two television programmes in the next 10 days.

The immediate cause of this interest is the series of speeches during the conference season by Dr David Owen, the SDP leader, and Mr David Steel, the Liberal leader, which raised the question of what might, and should, happen in a bung, or as they would prefer, balanced parliament.

The other parties regard this as self-serving froth—in Mr Neil Kinnock's words putting the type into hypothetical.

In short, by talking about the possibility of a bung parliament, the Alliance and commentators may make it more likely to happen.

Nevertheless, even though a general election is at least two years away, the questions raised are of more than merely academic interest.

The chances of no party winning an overall majority in the Commons are now greater than at any time in the past 50 years.

Much the most likely outcome of such an impasse is a minority government formed by the party which made the largest gains of seats from other parties—followed within less than a year by another election producing a clear majority.

This is what happened in 1923, 1924 and in 1974. In those cases the previous governing party had beeu the clear loser and there was no immediate alternative to a Labour minority administration.

The current assumption—and in the absence of a written constitution it is no more certain—is that the Queen will send for the leader of the opposition party with the most seats, not votes, once a prime minister bas resigned. Moreover, this gives the party leader the initiative. If he or she wins approval for a legislative programme in the subsequent Queen's Speecb debete, because of an unwillingness of the other parties to precipitate an immediate general election, all will be well.

What bappens if, say, Mr Kinnock forms a minority Labour Government and he is defeated at the end of the Queen's Speecb debate? Will the monarch then grant bim e dissolution which would enable him, wbo has never been eendorsed by the Commons, then to go into an election with all the advantages of being an incumbent prime minister?

That is the heart of the current debate. Dr Owen and Mr Sleel argue that dissolution should not be an eutcmatic right. In their view no party leader should initially accept more than a conditional commission from the monarcb to see if e government can be formed with majority support from a number of parties.

Conseouently, no request for e dissolution and a second election should be made until the possibities of negotiattion for a majority have been exhausted.

This view has been challenged as breaking new ground by

David Owen, left, and David Steel: putting the hype into hypothetical, says Neil Kinnock.

party leaders and constitutional authorities. They note thet the monarch hmas not refused e prime ministar a dissolution for over 150 years. Sucb an action would put the monarch in the centre of fierce controversy as Sir John Kerr was, as governor general of Australia, when in 1975 be dismissed Mr Gough Whitlam as Prime Minister.

Historians and consitotional authorities wbo are close to the Queen's advisers reject the idea of a conditonal commission and believe that in practice n dissolution would only be refused to a prime minister of a party which bad just been defeated at a general election. He or aha could not have a second go, though this haa never happened.

Once e prime minister has passed the stage of having a Queen's Speecb approved by the Commons, there is no dispute that wbenever afterwards a dissolution is sought it will be granted. That was the general belief in 1974.

The constitutional authorities recognise the anomaly of a party leader whose programme has not been ratified by Parliament but they argue that the monarch would almost certainly not refuse a dissolution. This is because of the overriding desire of the monarcb and her advisers to evoid being embroiled in partisan eontroversy and eppearing however unfairly to take sides.

Most politicians take a relaxed view, arguing that for the first time the existing rules would apply and each leeder would be given one chance to ask for a dissolution. Anyway, they argue this problem has never arisen as no one has wanted to provoke an immediate second election. The party leaders have also believed that the absence of an overall majority was only a temporary and transitional phase before a return to majority government.

More difficult questions are raised if Britain is entering a long term phase where no party has an overall majority. This might require a change in the rules and parties would have to get used to negotiating with each other.

Dr David Butler of Oxford University, suggests in his book "Governing without n Majority" that it might therefore be desirable for the Palace to make known that anyone being asked to form a government would receive the seals of office only after being endorsed by the Commons and that a request for a dissolution would be given only in response to a vote by the Commons. But that looks like being a problem for the 1990s, if at all, rather than after the next election as the Alliance wishes.

The political implication is that Labour, as the probable alternative minority government, may have an advantage if there is a hung parliament after the next election. Mr Kinnock may be able to determine the timing of a subsequent election and benefit as Lord Wilson did in the 1964 to 1966 and 1974 episodes.

His bope is that the Alliance will be squeezed in a later election. In short, the response to an indecisive election in '87-88 is likely to be cautious following familiar precedents on the part both of the monarch and the politicians. Only after later elections may new constitutional practices apply.

As Dr Butler points out "politicians will improvise and set their own precedents as they ettempt to solve each immediate difficulty in their own or their parties' interest." As ever, constitutional niceties will matter less than self-interested calculations.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UK DEFENCE PROCUREMENT

How GEC was put on the spot

By Bridget Bloom, Defence Correspondent

THE GEC GROUP, one of Britain's biggest defence contractors, is finding itself at the sharp end of the Government's new policies for defence contracting. Tougher terms are being negotiated under the personal instructions of Mr Peter Levene, the new chief of Defence procurement at the MoD, with the result that big contracts have been held up.

At the same time the company — which with its Marconi subsidiaries has well over £100m business a year with the MoD — has met widespread public and parliamentary criticism. Last month, the public accounts committee, Parliament's watchdog on public spending, attacked the management of Britain's Torpedo programme, jointly controlled by the MoD and Marconi Underwater Systems, while tha Commons select committee on defence, as well as individual MPs and defence critics, have exposed and lambasted delays and cost overruns in the early warning radar system, which is being developed for the Nimrod aircraft by Marconi Avionics.

The individual companies concerned, and more unusually GEC itself, have started moving on to the offensive, refuting many of the charges made.

Not all GEC contracts, of course, are contentious. But it so happens that four major projects contracted with GEC companies over the past 15 years and between them involving long-term public investment of between £6bn and £7bn are currently an important focus of Government attention. These projects not only highlight why the company is having a hard time just now; they also provide many of the reasons why the Government needs to be embarking on a different course for defence contracting.

The projects are:

● **Nimrod AEW.** Delays and cost overruns on the radar system of the Nimrod early warning aircraft have been highly publicised over the past yaar.

Britain ordered the 11 Nimrod aircraft, based on a Comet airframe, in 1977 in preference to participating in the Nato funded Awacs (early warning and control system) aircraft which are now in service in Europe. The cost of such participation is put at about £220m, or about £500m in today's prices. Nearly £1bn has already been spent on Nimrod; at least £150m needs to be spent before it reaches a minimum operating capability while a further £300m could be needed to bring it up to the full standard originally required by the RAF.

The first Nimrod aircraft was originally intended to fly with the RAF in 1981, with the full squadron in operation by 1984-85. Even if the negotiations currently underway between the MoD and GEC Avionics are concluded, as is hoped, by the end of the year, it could well be 1988 before the first aircraft is operational and 1990 before the full squadron is in the air.

A host of problems have beset the Nimrod project over the years, some of them agreed and some still disputed between the company and the MoD.

There was an early strike at British Aerospace, which supplied the airframes (now long since ready) while the moratorium on payments to defence companies in 1981 delayed work on the project. More fundamental was the split in management of the project: there was no prime contractor in industry, BAe being responsible for the airframe, and Marconi Avionics for the radar and electronics systems. This split was mirrored within the MoD.

Both sides admit privately that the divided management has proved a key ingredient in the disaster. In addition, senior executives in GEC admit, so far only privately, that their own management was poor.

However, more fundamentally, the company appears to have underestimated the problems which would be met in developing such a complex new mission avionics system. (This went unquestioned by the MoD.) In retrospect, it is easy to see that Marconic was unlikely to produce a new British radar in only half the time it took Westinghouse the U.S. company, to develop the Awacs radar system.

In February this year, Air Chief Marshall Sir John Rogers, who as Controller Aircraft is responsible for the project, admitted that the mission avionics could take two more years to develop and that even then it would not meet the full standard required by the RAF.

Today the position looks even worse than that, as in-service dates of 1987-88, for the first few aircraft only, are being talked of.

Mr Peter Levene, the new head of defence procurement, hopes to negotiate by the end of this year a fixed price contract with GEC Avionics for the completion of development, to an agreed standard, of the mission avionics. Highly unusually in British defence contracting, no payment will be made until development is complete and the standards agreed with the RAF are met.

Torpedoes

The PAC and the Commons Defence Committee have examined Britain's torpedo programme several times in the last few years but the PAC's report last month was probably its most critical. It said the wohle torpedo programme, for which Marconi Underwater System (MUSL) is the principal contractor, is expected to cost £5bn (at 1984 prices) by the mid 1990's—a sum which ePter Levene in evidence had described as staggering.

It outlined the three torpedo programmes in MUSL's charge. Tigerfish, the heavyweight torpedo, originated with the MoD in 1959, was taken over by Marconi in 1972, and is reported as still only "expected to lead" to a "usable weapon" for the navy after 25 years of development.

Sting Ray, a new lightweight weapon for which Marconi won a fixed price contract in 1981 for the remainder of development and an initial production of 250 weapons, is described as being at the "difficult transition stage between development and production." The PAC questioned the wisdom of the MoD proceeding to a production contract "before all the development problems had been solved."

The contract for Spearfish, which will ultimately replace Tigerfish, was won by the company following a competition with the U.S. Adcap torpedo in 1981. Its development, the PAC said, quoting the MoD, was "generally on schedule" but it was still not possible to say whether it "would arrive on time."

MUSL and GEC have both publicly refuted the PAC's conclusions. In particular, they accept that while there were early failures on Tigerfish, they say these stemmed principally from the divided management of the project. Since the company has become virtually the prime contractor (it still does not apparently have full control over the torpedo batteries) problems have been overcome and the weapon is now working well.

Controversy remains, however, over the present stata of Sting Ray. The position appears to be that after almost a year and the personal intervention of Mr Levene, negotiations are now nearing completion for a contract which would give the company the main production order of 2500 weapons to be produced at a fixed price of some £350m over five years.

The contract could turn out to be unique in both the size of tha order — done to bring down costs — as well as in the rigour of tha payment terms.

In contrast to the Nimrod and the family of torpedoes the Foxhunter radar for the Air defence version of the Tornado aircraft and Bates — the computer system for the army's artillery — have been difficult but are now nearing solutions. Bates is even described as a "mini-success" by Bob Long, the commercial director of Marconi Command and Control Systems, thanks to tha successful conclusion earlier this month of negotiations on a £100m plus contract for final development and initial production of the system.

BATES—the battlefield artillery target engagement system —is interesting today partly because it is a classic example of both the old and new styla of defence contracting.

The army now admits that the project was badly managed. It acknowledges that it was asking too much of BATES (in the jargon "gold plating" it) while the company accepts that it underestimated the complexity of producing what the army required.

Negotiations between the MoD and the company reopened a year ago: in the deal just concluded the army has agreed to scale down its requirements, while the company—now made prime contractor—will deliver to a named date, suffering financial penalties if it is late. It is believed delivery will begin at the end of 1988, 20 years after the army formulated its requirement. The equipment will actually be entering service between four and five years late and will, according to the army, have cost more than £200m, apparently a doubling, in constant terms, of the late 1970's estimates.

Foxhunter AI 24 radar

It is difficult to reconcile accounts of what has caused the delays on Foxhunter, although both the Defence Ministry and GEC Avionics, the company responsible for the project, agree that negotiations aimed at resolving the differences are now nearing completion, with a fixed price contract for the completion of production the goal.

So what are the lessons? First, all the contracts illustrate the problems and practices which the new policies of competition are designed to attack.

They all illustrate, for example, the inadvisibility of the widespread use of cost-plus contracting — the practice whereby the contractor is paid his full costs plus a margin of profit by the MoD no matter what the state of the project.

Cost-plus contracts provide no incentive for a company to produce on time, nor even to specification: certainly, they have been an open-ended invitation to the armed services to change specifications as work proceeds.

The MoD's ideal today is the fixed-price contract, arrived at through competition between the largest possible numbers of companies. There are some notably successful examples so far — £100m was cut off a £750m production contract for a new armoured vehicle for the army, while the Air Force saved some £80m on its new jet trainer.

Another key element of the new policies is the so-called cardinal points specification: instead, for example, of the army specifying to the smallest detail what it wanted from its new artillery control system, and then awarding the contract to a favoured supplier, it would have to call in a number of companies at an early stage to ask not only what was available off the shelf or in the company's design offices, but what the companies wanted to produce in terms of their export markets. The equipment would then be chosen competitively.

There are, however, broader and more uncomfortable lessons. In retrospect, it would clearly have been cheaper and more efficient for Britain to have joined its allies in buying AWACs, rather than "re-inventing the wheel," as one official put it. An even more important question is whether successive British Governments should have created an independent torpedo industry. Marconi Underwater Systems has been built into a monopoly manufacturer in a £5bn programme in only 20 or so years.

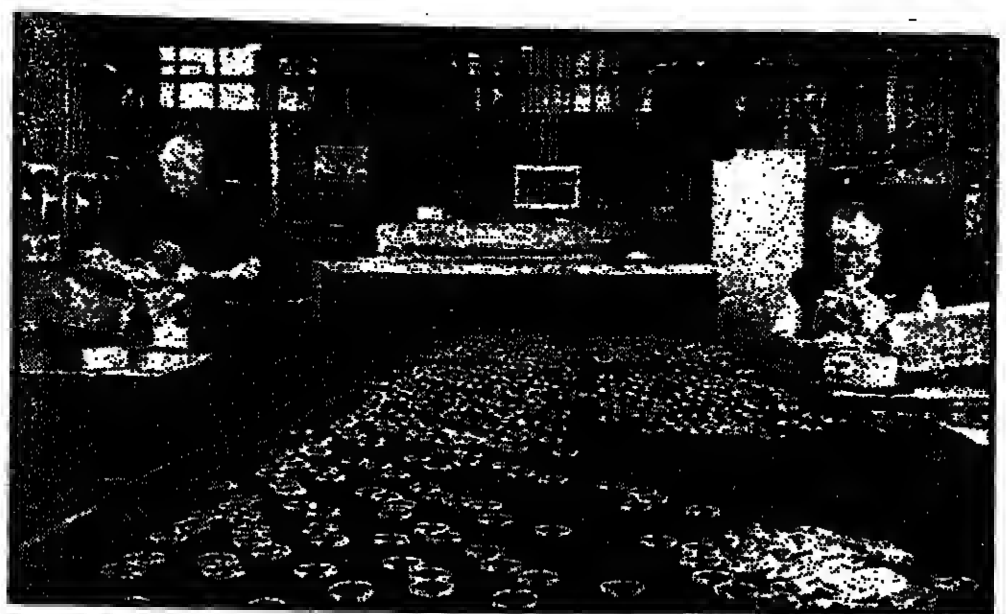
Would it not have been better for governments either to have insisted on the joint development of a European torpedo or even to have bought U.S. weapons, manufactured under licence, with appropriate offsets in the UK?

The argument against that — often heard from industry but rarely subjected to rigorous analysis — is that Britain must retain a wide range of technologically capable independent defence industries, on tha grounds that its ability to fight a war could be compromised if too many of its weapons came from abroad.

Company Notices

CORRECTED NOTICE

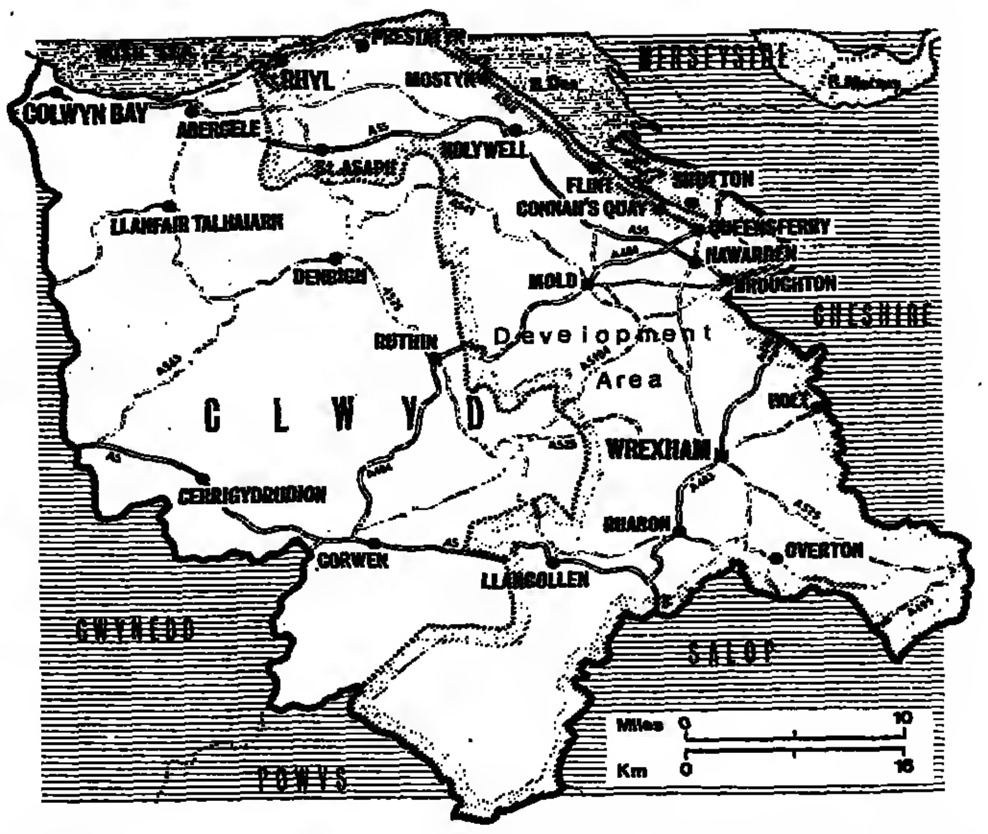
FT REGIONAL REPORT



Production of lens blanks for spectacles at St. Asaph

AROUND BRITAIN

Clwyd



COURTAULDS textiles group announced last April the closure of its remaining two major plants in Clwyd — the Greenfield viscose staple fibre and tow plant at Holywell and its Wrexham acetate yarn factory.

The reasons for closure were familiar enough. The company blamed a long-term trend of declining demand for the output of both plants against a background of world-wide overcapacity. But the closures between them caused 1,100 redundancies and an unusually sharp political reaction.

Courtauld's management, led by its chairman, Sir Christopher Hogg, were summoned to appear before a special session of the House of Commons Select Committee on Welsh Affairs, at Delyn Borough Council's headquarters in Flint, to explain their actions.

The Prime Minister, Mrs Thatcher, following a visit to Clwyd, also called on the company to "do everything possible to mitigate the consequences of the closures."

The result was a package of alleviation measures from Courtaulds of unprecedented generosity, including the immediate transfer of the two sites totalling 150 acres to Delyn and Wrexham Maelor borough councils, and removal of dangerous wastes in order to allow their early redevelopment and the creation of new jobs.

The furore partly reflected general anger at Courtaulds' failure to provide for the future by investing locally in new products and processes. About 20 years ago, Courtaulds employed over 7,000 workers in what is now Clwyd.

The impact of recession has brought frustrations and job losses on a large scale. Now the county has developed a significant stake in a number of important new industries and is attracting increasing foreign investment

Adapting to change

REPORT BY ROBIN REEVES

Having closed two major plants in the mid 1970s and instituted other major redundancies, the company was widely perceived as finally abandoning an area where, over the years, it had enjoyed enormous financial benefits and staff loyalty.

But it also reflected a wider frustration. For the past five years the county has been trying to overcome the impact of the single biggest industrial redundancy in post-war Europe — the 8,000 jobs lost with the ending of iron and steel making at the British Steel Corporation's Shotton works.

That is on top of the general impact of the recession, which has resulted in the disappearance of another 13,000 jobs.

The Courtaulds redundancies were a cruel reminder that the county still has a long way to go before it can re-establish a sound economy.

Adapting to economic change is nothing new to Clwyd, or to its workforce. During the 1960s the area was faced with a sharp contraction in another traditional pillar of the local economy — the coal industry. But in the prevailing economic climate of the time it was highly successful in attracting new light manufacturing industry.

Effort

Indeed, a decade ago, when the new county of Clwyd was created to administer the former shire counties of Flint, Denbigh, and a small part of Merioneth, unemployment stood at just over 4 per cent. Far from being an economic problem area, Clwyd was distinctly buoyant, with a significant net inflow of population.

The end of steelmaking at Shotton triggered a sustained effort to rebuild the county's economic base and, compared with many other parts of the country, the results have been impressive.

Clwyd has developed a significant stake in a number of important new industries and seen growth and recovery in some longer established ones. Moreover, it is attracting an increasing amount of foreign investment.

The record might have been even better. The county was very unlucky not to win the potentially biggest inward investment project to be attracted to the UK in recent years: Nissan's new European car assembly plant. Clwyd was just beaten to it by the north east of England.

Even so, according to the Welsh Office, manufacturing investment in the county since 1980 is on course to create 8,000 new jobs and has safeguarded over 4,000 others.

But it is a depressing reflection of economic life in Britain today that unemployment in the county is continuing to rise. About 2,000 more young people are currently leaving local schools in search of work each year. Job losses are also still occurring in the country's older-established industries.

The Courtauld's redundancies are expected to push up the county unemployment rate to nearly 19 per cent, or over 25,000, with male unemployment up to 22 per cent or nearly 18,000.

The big problem that Clwyd faces is how to step up the rate of new job creation. There are no quick or obvious answers. The economic infrastructure has been dramatically improved over the past five years. Thanks to physical links now made with the English motorway network, Clwyd's attraction as an industrial base, not far from the geographical centre of industrial Britain, is becoming increasingly appreciated.

So too is its proximity to Manchester International airport, now only about 40 minutes away by motorway. At Clwyd's own Hawarden airport, plans for a Dublin service have also just been announced.

Road schemes scheduled for completion over the next five years, notably the final sections of the A55 expressway across the county from east to west, and further improvements in Wrexham's road links, will help the process still further.

Plans are also in hand to establish a further crossing of the River Dee, near Connah's Quay, which will not only greatly improve communications with north west Clwyd but also open up a major new area for heavy industrial development.

There is also a growing appreciation of the wide range of graduate research and development skills available to the area from the seven universities that lie within a few hours drive.

The county's own North East Wales Institute of Higher Education, grouping five colleges and 13,000 students, has also been a model in terms of arranging its activities to meet the changing economic needs of the community it serves. It has led a number of important initiatives, most recently the Newtech Centre at Deeside Industrial Park.

At Wrexham, the foundations are being laid for what the county hopes will become a technology park specialising in medical products. It is adjacent to the new district hospital and planned private medical facility.

Clwyd's battle to rebuild its economy does not go on in isolation, however, and more recent Government policy changes have not always been helpful to its efforts. In July 1983, the Government gave Flint, one of the communities hardest-hit by rising unemployment, a big economic stimulus by designating 293 acres to the west of the town as an Enterprise Zone which is becoming a new pole of industrial attraction in the county.

But much of the zone required demolition work and land clearance and valuable time was lost because of a sudden blanket moratorium on capital expenditure.

Last November there was a big cutback in regional development assistance aimed at saving £300m a year in regional grant aid by 1987-88. The county was hit not only by the abolition of Special Development Area status, which the Deeside and Wrexham travel-to-work areas had gained in response to the Shotton rundown, but also by the removal of assisted area status altogether from some rural parts of Clwyd.

Compete

Besides these changes, assisted area status was extended to the Telford and Chester travel-to-work areas, with which Clwyd must compete for mobile investment projects.

The county is one of the most agreeable development areas, able to offer industry the top rates of regional and industrial grant and access to European Coal and Steel Community Funds. Its designation as an EEC integrated operations area to concentrate all the Community's financial resources on the county's problems, is also under active consideration.

Even so, local authority officials remain understandably worried about what they describe as central Government's "ambivalence" towards public sector involvement in encouraging industrial recovery.

In fact the public sector has played a key role in Clwyd's industrial regeneration drive. The Welsh Development Agency, with its two local flagships, Deeside Industrial Park and Wrexham Industrial Estate, is still the main supplier of industrial sites and premises.

The Deeside Enterprise Trust, set up with a mixture of public and private sector backing by BSC (Industry) to handle its grants and loans scheme and help to steer new jobs into the area, has also played a useful role.

The companies it has helped in a significant way promise between them to provide more than 4,000 jobs by 1988.

But no less important has been the work of Clwyd County Council's economic development division and the district authorities, especially those of Delyn and Wrexham Maelor, which have acquired the staff and administrative procedures necessary to respond quickly and efficiently to industrial inquiries. They have also been significant providers of serviced land and small premises.

CLWYD 2

FOREIGN INVESTMENT

A Japanese boost for jobs

TWO internationally well-known Japanese companies, Sharp Corporation and Brother Industries, have decided to set up large factories in Clwyd in the past 18 months, adding to the country's growing number of foreign-owned companies.

At the latest count there are now nearly 50 overseas-owned manufacturing companies in Clwyd, employing between them some 5,000 people or 4 per cent of the county's workforce. About half have arrived in the past 10 years.

The longest-established is Monsanto Chemicals, which first went to near Wrexham in the early 1920s. The company's 150-acre site still employs nearly 700 workers producing about one-third of the world's aspirin as well as a wide range of chemicals, about 80 per cent of which are exported to 96 different countries.

Others include British Lego at Wrexham, the UK marketing arm of the Danish toy manufacturer, and Lithgow Saekaphen at Buckley, a German-owned company specialising in industrial anticorrosive linings and coatings. Both have also been established in the area for many years.

The most recent arrival is Brother Industries, which opted to establish its first European manufacturing operation to make electronic typewriters last March. This was after a detailed study of alternative locations, and it increased to three the number of Japanese-owned companies in Clwyd.

"We chose Wrexham because it is in the middle of Britain, because of the good reputation of the Welsh workforce, the grants available, and the attractive package put together by Clwyd. It was also conveniently located in relation to our Manchester international sales office," explains Mr Masao Kato, Brother's managing director.

The company is now completing a 66,000 sq ft factory at the recently-designated Wrexham Technology Park, a 50-acre greenfield site surrounding the 17th century Croesnewydd Hall, on the town's western outskirts.

The rapid progress of the £4m project has again demonstrated the ability of Clwyd and its district authorities, in this instance Wrexham Maelor Council, to move fast to meet the needs of inward-investing companies.

Brother will move into its new premises next month, just seven months after its decision to go ahead with the project was first announced. But meanwhile, the company is already in production, thanks to the Welsh Development Agency's provision of temporary accommodation, and likely to meet its initial output schedule of 240,000 electronic typewriters a year.

It is still in the process of building up local component suppliers, but in the long-term it intends that 80 per cent of its machines should have local content.

Surprised

Brother has chosen to recruit most of its local workforce straight from school. So far it has taken on 105 and by next year will be employing 160.

Mr Kato is delighted with the results. "We had expected 10 per cent of our initial recruits to drop out, but there has not been one. Furthermore, we have been surprised to find that the dexterity and general capability of our young people is as good as in Japan," he said.

Brother's experience is echoed by that of Sharp Corporation, which decided in March 1984 to establish a £12m video-recorder factory at Llay, near Wrexham. Mr Sadao Myamoto, the managing director, says that the six months taken to complete its big new factory deserves to go into the Guinness Book of Records.

The general execution of the project, to a tight timetable, has been the best ever achieved by the company in its many overseas investment projects.

Also wanting to recruit its workforce straight from school, Sharp took up the offer of a special six-week training course for potential recruits arranged by the North East Wales Institute. Again the management is delighted with the results.

The video tape recorder is the most complex piece of electro-mechanical equipment to be found in any home. It has four times as many components as a television set, for example.

Even so, the new Wrexham plant is already producing 10,000 VTRs a month and steadily building up towards an output of 20,000 a month within the next year.

Another measure of the plant's success is that it has already announced its first product diversification — into microwave ovens. The Wrexham factory is now preparing to manufacture 20,000 microwave ovens a month to meet the rapidly growing demand for the product on the Continent as well as in the UK.

Further expansion is also under consideration at Hoya Lens, the first Japanese-owned company to locate in Clwyd. Since 1980, when the plant was first established, Hoya has opened a number of factories in other European countries, with the result that exports have fallen from 60 per cent to 10 per cent of the Clwyd plants' output.

Even so, Hoya has strengthened its position in the UK, where it now claims a 10-15 per cent share of the market.

Hoya's Wrexham management is optimistic that the plant may be selected as the site for a new plastic blanks factory to meet the growing demand for plastic lenses in Europe.

STEEL AND COAL

£100m revival at Shotton

AN INVESTMENT of £30m in a new dual-purpose sheet steel galvanising line is racing towards completion at the British Steel Corporation's Shotton works.

Scheduled to go into action next spring, the new line is the second largest investment project currently undertaken by the corporation. It symbolises the heartening revival in the fortunes of Shotton steel since it suffered the closure of its iron and steel making capacity in 1980, with the loss of 8,000 jobs.

The new investment consolidates Shotton's position as the hub of BSC's coated steels production. It brings to around £100m the capital invested at the site over the past decade to secure the future of what is described as the largest and most modern steel coatings complex in Europe.

Despite the huge cutbacks in its workforce, BSC Shotton continues to employ 2,200, making it still the country's second biggest industrial employer after British Aerospace.

Less certain is the future of the other major steel works within the county—the GKN engineering steels plant at Brymbo, near Wrexham.

Although its reputation within the industry is second to none (it was one of the few steel plants to have been voluntarily repurchased by the private sector in the 1970s after renationalisation) the fear is that it may be a victim of an impending restructuring of the engineering steels industry between BSC and private enterprise. A decision is expected before Christmas.

But heavy investment is also going ahead in Clwyd's other historic industry, coal, with an eye to the potential energy needs of the 21st century. The National Coal Board's Point of Ayr colliery, near Prestatyn, one of just two pits left in the county, is now completing a £15m drift tunnel designed to eliminate shaft bottlenecks and raise output by some 50 per cent.

It is also preparing to build a £25m pilot plant for the extraction of oil from coal. It plans to make a start early next year.

Shotton Steel has benefited from the fact that, despite the recession, there has been a steadily rising demand for coated steel products. The building and construction industry is a main growth area.

Pre-painted

Another is the domestic appliance industry, where manufacturers are increasingly buying pre-painted sheet steel —one of Shotton's specialities— rather than doing the painting themselves.

Yet another example is the motor industry, which is hoping to receive some 40 per cent of its sheet steel requirements in galvanised form by 1990, compared with only 10 to 15 per cent as present.

The result is that whereas Shotton's present two electro-galvanising lines were designed primarily to supply the domestic appliance industry, the future growth in demand on their capacity will come from motor manufacturers.

Shotton's new coating line is designed to produce both hot dipped galvanised sheet steel, marketed by BSC under the trade name Galvatite, and a new product, Zalutite. This is a 55 per cent aluminium, 45 per cent zinc coated steel sheet, developed and patented by the U.S. Bethlehem Steel Corporation.

It has significantly better corrosion resistance than pure zinc galvanised steel and it is expected to be in high demand from some sectors of the construction industry.

It has found a ready market in other parts of the world, where it is generally known as Galvalume.

Capacity of the new galvanising line will be over 200,000 tonnes a year and it will be able to produce thinner and wider material than Shotton's existing lines. But, it is due to replace four older lines within BSC's strip products group, three of them at Shotton.

Closure of this older capacity was a key element in the EEC Commission's approval of the new investment.

But the continually growing demand for BSC Colorcoat (pre-painted) steel, for which demand is up 20 per cent this year, has prompted speculation recently that the corporation may be considering further investment in this area.

Mr Eric Cotterill, Shotton's director, is cautious, however. "Whatever the market needs in future the BSC coating lines are sufficiently flexible to adapt to demand. If extra capacity is needed in the future the provision will be seriously considered," he says.

Since the loss of its steel-making capacity, Shotton has been receiving its basic raw material—hot-rolled steel coil—half from Ravenscraig in Scotland and half from South Wales, usually Llanwern.

But with the closure of Scotland's Gartcosh cold-rolling mill, announced in BSC's latest corporate plan and due to take effect next spring, more than 75 per cent of Shotton's demand for 10-15,000 tonnes of hot-rolled coil a week will be supplied by Ravenscraig.

Shotton is also well-placed to fill part of the gap left by the loss of Gartcosh capacity. Not only is it conveniently located for many of BSC's major customers but it is also equipped to increase throughput.

Over the past two years a total of £5m has been spent on modernising Shotton's cold-strip mill in a programme which has included refurbishment of two pickle lines, multi-stack annealing furnaces and a coil finishing unit.

Modernisation is also the keynote of the NCB's latest investment programme at Point of Ayr colliery. At the pit itself the sinking of the drift shaft has gone hand-in-hand with an offshore seismic and drilling search for new coal reserves which has extended up to three miles off the Clwyd coast and already shown encouraging results.

The board is confident that it has a bright future ahead as a long-life pit yielding some 600,000 tonnes a year, which will help add to the growing list of industrial customers. These include a number of major Clwyd manufacturers who have recently switched to coal to cut their energy costs.

Clwyd's unique project, the oil-from-coal pilot plant, is expected to take about two years to build. Processing 2½ tonnes of coal a day, its task will be to prove the commercial viability of a liquid solvent extraction process for producing transport fuel feedstock from coal, developed by the NCB research station at Cheltenham.

MINING EQUIPMENT

New invention creating jobs

A new mining equipment company, Hilton Mining, has just moved into the former Firestone factory at Wrexham to manufacture a revolutionary new underground roof support system, and an underground vehicle for the coal industry, which promise eventually to create 400 jobs.

The new steel roof system is the brainchild of mining engineer and inventor, Allan Hilton. It uses a series of interlocking steel segments which, on the same principles as an aircraft frame, provide far stronger support than conventional steel roof supports.

But, as well as allowing a reduction of one-third in the amount of steel required to achieve the same strength, the system incorporates another important safety advantage. This is a specially-designed erector which will allow miners to lever the arch sections into place without exposing themselves to the danger of standing under unsupported rock — a serious hazard during the installation of conventional roofing sytems. Rock falls at the face are responsible for up to 40 per cent of mining accidents.

Hilton Mining will use a flexible manufacturing system designed by the Cranfield Institute of Technology's production engineering centre, incorporating robotic synergic metal inert gas welding. It plans initially to produce 5,300 metres of steel support a week, with the aim of supplying 10 per cent of the National Coal Board's demand for roofing steel which is worth £150m a year.

The new vehicle is designed to carry men and materials underground. It will be diesel powered, free steering and one metre in width. Mr Brian Fowler, Hilton's managing director, explained that this is appreciably smaller than present underground vehicles, and will make it more manoeuvrable, and able to work in the narrower tunnels, often found in metalliferous mining.

Since opting to come to Wrexham, the company has also decided to manufacture, under licence from a Canadian company, Levit Safety, a tungsten halide miners' headlamp powered by nickel cadmium batteries. It has distinct advantages over the existing miners' lamp in that the nickel cadmium batteries maintain full power for 10.5 hours and, providing they are recharged regularly, will last for four years.

FT

NEW TECHNOLOGY

Innovation centre opens its doors

NEWTECH, the new industrial innovation centre at Deesido Industrial Park, described as tho largest Phase I science park development in tho UK, opens its doors for businoss in two months' time.

The branchlid of tho North East Wales Institute of Higher Education and Clwyd County Council, Newtech is designed to provide industry in Clwyd with o comprohensive and accessible centre for industrial innovation.

It forms an integral part of a high-quality Welsh Development Agency campus-style property complex built to offer units from 500 sq ft to 1,000 oq ft to companies wanting access to Newtech's resources.

"Wo are marketing this site as a total environment for innovation," stresses Dr John Allen, managing director of Newtech (Clwyd) and Dean of tho 90 strong Research Division of the North East Wales Institute (Nowi).

Newi'o research division already has an excellent record in transleting fresh idoas from tho laboratory to tho market.

It is particularly noted as a centre of practical contract research for the food-processing industry and lt also does much of the non-destructive testing work required by BSC at Shotton.

Newtech will offer small and medium-sized companies immediate occess to a wido range of research and development skills and equipment and assistance in the task of transforming ideas into commercially viable products and processes.

Through Clwyd Council's Economic Division it will also holp companles to obtain finance for research and product development work and provido more general financial aid.

But the base for innovation assistance will not just be Clwyd. Newtech is also a founder-member of tho new European Business and Innovation Notwork.

EBIN is being promoted and financed by the EEC Commission to provido a clearing house for tho exchange of information and experience between innovation centres and their associated companies and to encourago co-operation on business opportunities, particularly in marketing and technology transfer.

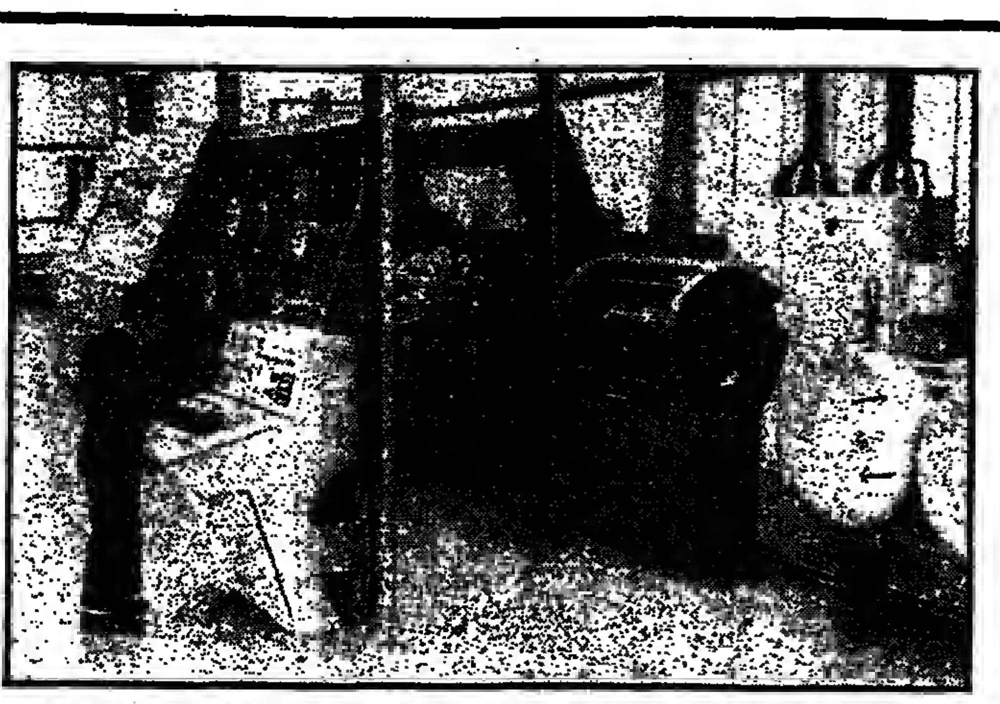
Newtech has also concluded an agreement with the Nomura Research Institute of Japan to report on collaboration between industry and technical education in both Japan and the UK. It follows a provisional agreement between Gunma University in Japan and the North East Wales Institute to foster co-operation in higher education between the two countries.

These international links will clearly givo added strength to tho contribution Newtech can make to the local economy. But Dr Allen stresses that it is already proving its worth.

Although tho Newl staff have yet to move to the new centre, the publicity surrounding lts birth has already resulted in 70 inquiries from local companies, 50 of which havo resulted in work for the Newtech team.

The associated WDA accommodation has also attracted its first tenant, one which is typical of the type of business venture Newtech is anxious to attract. Biokits, a subsidiary of the Grand Metropolitan Hotels group, is developing and marketing biotechnology test kits for the rapid anaylsis of food adulterants.

Using techniques first developed in the medical world, Biokits aims to provide public health analysts, local authority trading standards officers and food retailers with rapid means of checking that edible products are what they say they are and are not contaminated with any other substances. It expects to create 20 jobs over the next three years.



Manufacture of space-saving smaller-diameter multiway fibre cable at Bodelwyddan

FIBRE OPTICS

Huge new market waits

EUROPE'S largest optical fibre manufacturer, Optical Fibres, on Deeside, is preparing to make a second-generation product early next year.

This new fibre seems destined to give a dramatic new boost to Clwyd'o already large stako in the technology, described as the most significant development in telecommunications transmission sinco the invention of tho transistor.

Besides Optical Fibres, Clwyd is the centre of the Pilkington glass group's growing optical fibre activities which are now divided between two county-based subsidiaries: Pilkington Fibre Optic Technologies, at Bodelwyddan, and Pilkington Security Systems, at Denbigh.

Optical Fibre's new prodnct is a single-mode, dispersion-shifted fihre developed by Corning Glass, the U.S. company which, together with BICC, set up Optical Fibres's Deeside plant two years ago as an independent volume producer for tho European market.

By changing the wave length of operation the new fihre can send a signal over much longer distances without electronic boosting.

British Telecom, in recent tests using a commercial laser, found that the new fibre conld transmit a signal over 240 km without a repeater, compared with the standard range for first-generation fibre of 40 km between boosters.

Apart from cutting the cost and increasing the reliability of land-based telecommunication still further, the new fibre also opens up a vast new market in undersoa comunications cables.

The implications are still being thought through by the telecommunications industry. But at present undersea communications require exceptionally strong cables, heavily reinforced with steel, not least to allow them to be houled up from the seabed for the repair and maintenance of either cable or repeaters.

But the unboosted signal distances possible with tho new generation fibre opens up the feasibility of underwater communications links being established by island-hopping.

Even the Atlantic may be crossed more economically by way of tho Faroes, Iceland and Greenland, using optical fibre cablo and land-based repeoter stations, than by existing cable communication systems.

There are also implications for land-based telecommunication links. Norway is already examining the possibility of modernising its trunk network by simply laying a coastal underwater optical fibre cable system to link its towns and villages, in preference to laying new land-based rontes. Many other martime countries could find the idoa equally attractive.

Not that the Deeside plant is exactly anxiously searching for new markets at present. As Mr David Harper, Optical Fibres's marketing director, odmits, current sales are determined by the amount of fibre the plant can prodnce.

Since its initial investment of £17.5m the company has spent a further £5m to doublo production capacity to 200,000 km of fibre a year. It is now hoping to prodnce 300,000 km and, says Mr Harper, further nprating of the plant could eventually raise its output to betwoen 400,000 and 500,000 km a year.

Bright future

This eould still prove a relatively small output by world standards. The U.S. already has two plants each turning out 1m km a year, which must create further economies of scale.

But Mr Harper is confident that the Deeside plant has a bright future, provided it spreads its market throughout Europe and takes full advantage of its access to the pace-setting research and development of the technology achieved by Corning Glass.

Optical Fibres's main customer so far has been British Telecom. Under an investment programme which began early last year BT is expected to use up to 100,000 km of single-mode fihre over the next four to five years to update its trunk telephone system.

But this year Optical Fibres also secured the first BT order for multimode fibre for updating the junction systems that intor-connect local telephono exchanges.

BT's junction cable system has been designed to incorporate 16 fibres, each capable of carrying 120 simultaneous phone calls and giving a total transmission capacity of 960 calls.

Even greater capacities are possible. Optical Fibres claims that tho fibre is good onough to transmit four times as many calls, given replacement of the electronic equipment at each end.

Optical Fibres's challenge on the Continont is the fact that other European markets are three or four years behind the UK in their use of optical fibre communications, so only about 10 per cent of sales are destined for tho Continent this year.

But next year the total Continental market is expected to double at the least, compared with a 25 per cent increase in demand in the UK.

Pilkington's Fibre Optics Technology subsidiary is concerned with developing applications. It recently investod over £1m in a new facility at Bodolwyddan which is concentrating on tho manufacture of short-distance fibre links, between computers and othor office eqoipment, and optical fibre sensors.

Whereas until recently optical fibre office links were costly and used only in special circumstances, tho improving economics of the business has been such that fibre can now compete with conventional copper systems over distances as short as 200 motres.

This can be particularly truo of systems requiring the installation of new dncts or tho use of existing ducts which aro already tightly crammed, with wiring or pipes. New smaller-diameter multiway fibre cables can do the job.

Pilkington Security Systems at Denbigh is expanding the application of optical fibres to high-security fencing and leakage warnings systems for cryogenically-stored liquids, while Pilkington PE at St Asaph bas recently begun a new diversification.

Using the skills it has acquired in producing optical systems for military uses, the company is now starting to manufacture high-quality holographic plates of a size and quality never before availablo on the commercial market.

FOOD PRODUCTION

Co-op expands cereals range

THE COMMISSIONING of one of the largest-ever manufacturing investments by the Co-operative Wholesale Society (CWS)—an £8.5m breakfast cereals factory—is now under way on Deeside Industrial Park.

The days are long past since the CWS manufactured everything for the network of UK co-operative retail societies and their 9m members. But, in contrast to other major retail groups, the co-operative movement still believes that it should continue to make a select range of staple foods.

Two years ago, its researches identified breakfast cereals as a market growing at 2 per cent per annum, and one where demand seems certain to remain at a high level for the foreseeablo future.

The new highly-automated plant, of 85,000 sq ft, is designed to produce a comprehensive range of hreakfast cereals, from flake products and their novelty (spray-coated) offshoots to mueslis and crispbreads.

All but the mueslis are produced using the latest cereal extrusion technology which has cut the time it takes to produce, say, cornflakes, from eight hours to 15 minutes. Each cereal prodoct varies partly according to the mix of ingredients, but also according to the combination of pressure and heat applied and extruder die design.

Deeside was chosen as the location for the project because of its good distribution links and closeness to the CWS Manchester headquarters. A spokesman stressed that the site was also attractive from the social and financial points of view—the Welsh Office awarded the project, which is to create 160 new jobs, substantial selective financial assistance.

Deesside Industrial Park's value as e food distribution centre has already been underlined most spectacularly by Iceland Frozen Foods, its first tenant. Iceland has grown from a small two-man business in the early 1970s, into a publicly-quoted company with more than 900 employees, a 1984 turnover in excess of £65m and 90 frozen food stores, all serviced from Iceland's 1.25m cubic ft Deeside cold store.

ELECTRONICS

Clean room count lower

ONE OF the most advanced clean room environments to have been so far created in Europe has just been commissioned at Rexham (UK)'s Wrexham plant, which manufactures specialist plastic film-based laminates and coatings for a wide range of industries.

Built to Rexham's specification by T. H. Dixon at a cost of £1.5m, it is providing an environment with a particle count of under 100 per cubic metre of air, for a new, specially designed 1.5 metres laminating and coating machine. Particle counts at the coating head are one order of magnitude lower and beyond reasonable measurement.

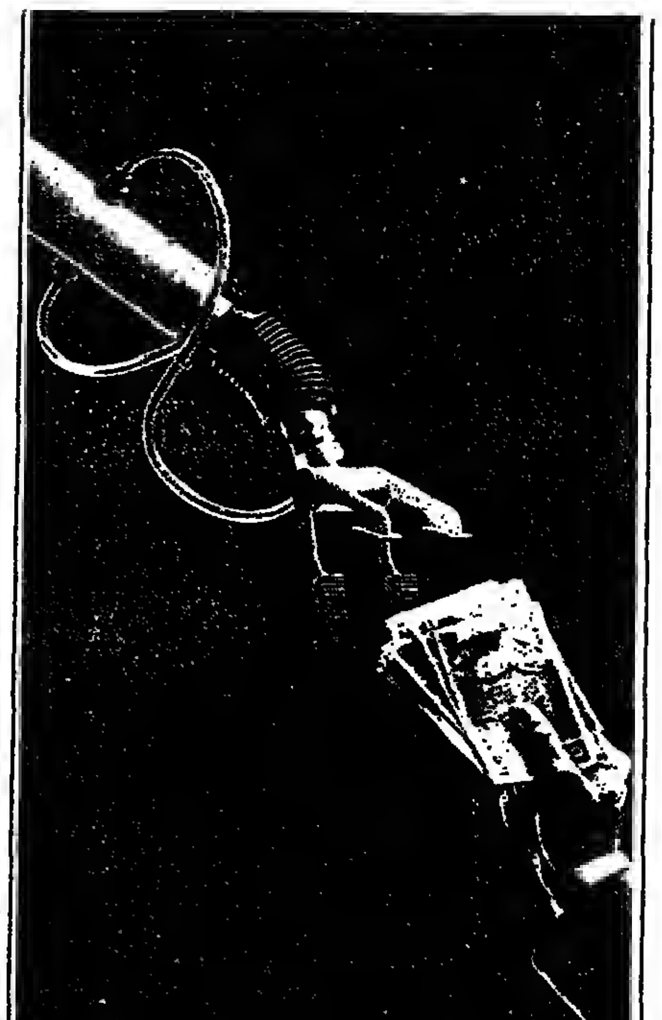
The new ultra-clean room is designed to allow the company to meet the ever tightening specifications of the electronics industry, where Rexham is well established as a manufacturer of laminates for flexible printed circuits. These are based, in the main, on copper-polymide laminatea and they have been in growing demand in military, telecommunications and domestic appliance applications, where saving space is of high priority.

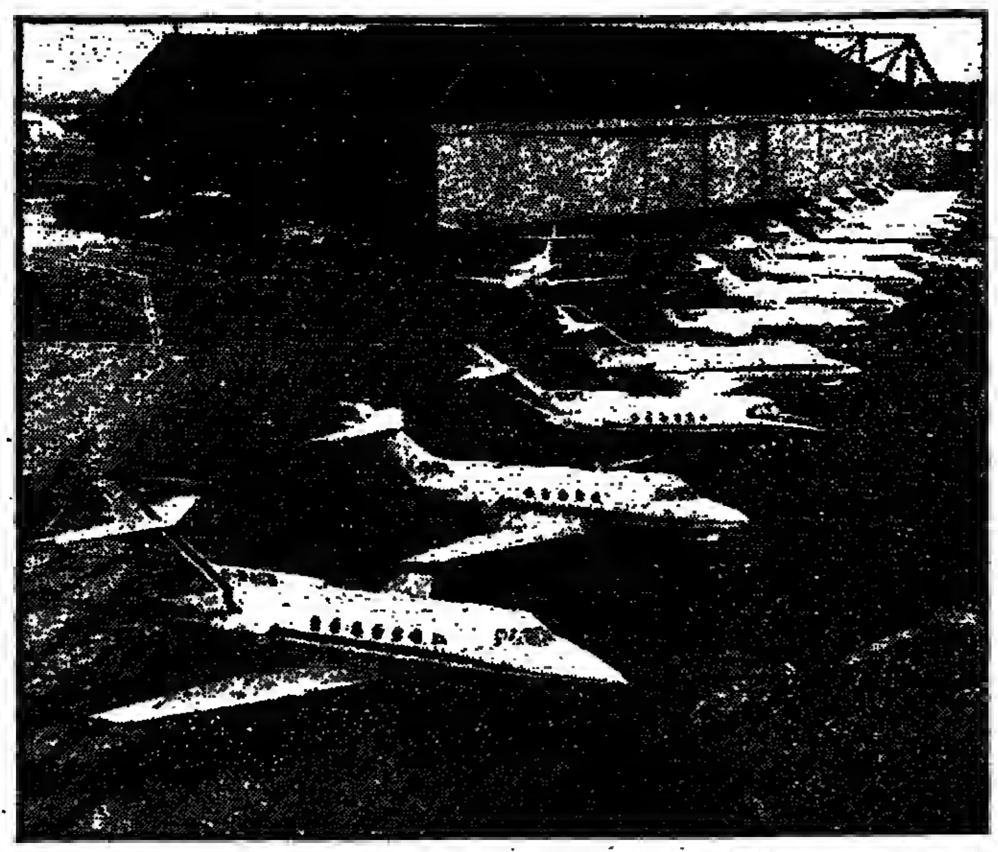
Exports

The company's output of copper laminate has grown by 50 per cent over the past two years. Combined with its othor laminates and coatings business, it has lifted tho company's turnover to some £9m, half of which is coming from exports.

Ultra-clean room conditions are also a top priority at Data Magnetics, a major new £12m computer disk manufacturing venture which has just moved into a 50,000 sq ft Welsh Development Agency advance factory on Deeside.

Founded by a syndicate of venture capital and industrial investors led by 3i Ventures, and due to come on stream early next year, it will be the UK's first manufacturer of high density, thin film 3.5in and 5.25 in Winchester disks for the computer industry.





Line up of BAC 125 business jets at the Broughton factory. The 600th was built this year

AEROSPACE

Airbus wings on time

THE FIRST set of wings for the next-generation European Airbus — the A320 — were ceremonially removed from their buge jig at British Aerospace's Broughton factory, Clwyd, earlier this month—three weeks ahead of schedule.

"This factory has a reputation for never failing to meet its delivery dates," Mr John Gilbanks, Broughton's general manager, said proudly.

Early delivery will provide BAe's Filtnn factory near Bristol with some valuable extra time to complete preparation of the wings before they are delivered to Toulouse, France, for final assembly. Tha first A320 is scheduled to take to the air in March 1987.

The Clwyd factory's reputation for meeting its deadlines applies not only to the total of 365 airbua wings produced there since BAe joined forces with France and West Germany to build the first European wide-bodied airliner to break U.S. dominance of the world market. It also applies to Broughton's other main manufacturing activity—production of the BAe 125 business jet.

A total 616 125s have been produced since this aircraft was introduced in 1962 and demand continues unabated. The company recently announced an order for a further 10. This enviable record means that BAe's Clwyd factory is now one of the few left in the world still producing whole areoplanes.

The remarkable success of both aircraft has helped to ensure that the aerospace industry remains an important industrial and technological motor for the Clwyd economy.

Advanced

Broughton has some of the world's largest and most advanced manufacturing jigs and automatie rivetting machinery. Its 60 ft milling machines for the wing skins (it has just purchased a third at a cost of £3m and is now refurbishing its first two) are the largest in Europe.

Besides providing valuable subcontract work for local companies it remains a major employer in its own right. BAe Broughton's workforce was recently cut by some 500. Even so, with some 4,000 employees, it remains easily the country's largest single industrial employar, a position it assumed after the sharp contraction of the steel industry.

The Broughton factory was built in the late 1930s as a dispersed "shadow factory" for large-scale aircraft production, and its 1m sq ft floor area made it the largest factory of its kiod in Europe.

Airbus wing production began in 1962 and since then the factory has produced 275 sets for the 240-345-seat A300 and 89 sets for the 210-265-seat A310. With the order book for both versions still heavy, the factory expects to produce a further 30 to 40 sets for each type of aircraft over at least the next two to three years.

Bnt orders for the new single-aisle 135-179-seat A320 version already total 96 aircraft from five airlines—the largest pre-launch order book of any of the Airbus series. So Broughton is planning to build up production from eight sets next year to a peak of 66 sets in 1989.

The A320 will be the first airline (apart from Concorde) to incorporate a "fly-by-wire" control system, which has already been proved to reduce weight and maintainance and spares.

The latest BAC 125 business jet—the series 800—is not only bigger than the original version. It is fitted with the latest digital avionics and navigation equipment and its range bas been extended to more than 3,000 nautical miles (twice its original range), enabling it to fly non-stop across the Atlantic or the U.S.

All the parts for the 125, except the engines and "pods," are made and assembled at Broughton. Thosa deslined for the U.S., which accounts for more than half the aircraft's sales and where, despite keen competition, the 125 still enjoys a 27 per cent share of the business jet market, are sent across the Atlantic "green" and fitted out locally to tha customer'a specification.

Those for the rest of the world market are completed, down to tha last seat cushion, at the Clwyd factory.

Besides these two major projects, BAe at Broughton also handles BA 146 avionics and furnishings installation on behalf of Hatfield, component manufacture for the Jet Stream, and is a general repair, maintenance and refitting centre in its own right.

Mr Gilbanks is optimistic. "As long as we are efficient our future remains reasonably secure," he says.

Clwyd's stake in the aerospace industry is not confined to Broughton. Across the county at St Asaph, Pilkington's PE subsidiary has developed unique skills in tha design and manufacture of moving map display systems for military aircraft. Among the many aircraft to carry Pilkington PE's systems have been the U.S. F16 and F18 combat aircraft and the Nimrod and Tornado.

Pilkington PE also makes a special solar slide material for protecting space satellite solar cells from damaging radiation. This has been selected for most U.S. and European military and civilian communications satellitea.

A relative newcomer to Clwyd's acrospace industry is Cyanamid Fothergill, established at Wrexham in the early 1980s as a 50-50 joint venture between American Cyanamid, of Wayne, New Jersey, and Fothergill & Harvey, a Lancashire company which was moving into high-performance materials.

Although mainly concerned with the manufacture of advanced composites of resin-coated carbon and glass fibre, Cyanamid Fothergill also produces expanded aluminium honeycomb and even carbon fibre fishing rods. It has just achieved the breakthrough it has long been working for in the aerospace industry—official recognition by both Boeing and the European Airbus consortium aa a components supplier.

TOURISM

Initiatives paying off

THE National Portrait Gallery has announced that Boedelwyddan Castle, near the A55 road inland from Rhyl, is to become the gallery's third outstation. (The first two are in Somerset and near York.)

Up to 100 paintings will be on permanent display, among them the gallery'a extensive collection of works by the 19th Century portrait painter George Frederic Watts. The subjects include one of Clwyd's most distinguished past residents, the Liberal Prime Minister William Gladstone.

The new gallery will not open until Easter 1988. Extensive structural is first required to restore the area of the castle to be occupied by the gallery to its Victorian grandeur and provide a lecture theatre for the benefit of local schools.

But it is already clear that it will attract visitors from a wide catchment area and provide a stimulus to tourism in Clwyd.

Tourism in the county originally developed as a somewhat downmarket affair. The mushroom growth of caravan parks along the north coast and the concentration of its main resorts, Rhyl and Prestatyn, on self-catering accommodation created a profitable industry in its time.

But until recently there was a danger that the area might become increasingly neglected by people who were becoming accustomed to the higher standards of accommodation found on foreign package tours. It was not preparing for, or promoting itself in the main growth areas of the UK tourism market—the short-stay and winter breaks.

There was even a worry that the improvement in the A55, far from boosting the tourist trade, might encourage many visitors to speed past Rhyl and the Clwyd coast and on to the beaches and mountains of Gwynedd. Every tourist resort's nightmare is the once popular resort of New Brighton, on the Wirral peninsula, which now attracts few visitors.

Much still needs to be done. Bnt thanks to the boldness displayed by Rhyl's local anthority, Rhuddlan Borough Council, in investing £4.5m to build its now famous Sun Centre — a lot of money for a district authority—the crisis of confidence bas passed.

The Sun Centre quickly established itself as Wales's most popular tourist attraction. It now receives about 500,000 visitors a year to its wide range of entertainment and leisure facilities.

It also demonstrated vividly that Clwyd could restore its tourism industry to better health and enable it to make a much-needed cootribution to new job creation in the county, given adequate investment.

Craft workshop

Other successful initiatives have followed, notably a craft workshop and display centre at Rhuthin which has succeeded in attracting more coach and car-borne tourists inland.

But more projects are on the way. The county council and the six district authorities bave hegun the task of thinking out a strategy for the industry and, in particular, making a list of developments suitable as candidates for EEC and Urban Development Grant assistance.

High on the list is likely to be a planned marina at Rhyl, which has already been identified by the Wales Tourist Board as an appropriate northern terminus for a chain of marinas around the Welsh coast.

This project, which would offer space for up to 500 sailing craft, is now the subject of further studies.

Another is the Greenfield valley, Holywell, which contains a unique blend of industrial archaeological and historic remains as well as rich fauna and flora. Delyn Borough Council is developing it into an attractive Heritage Park.

The industrial archeological resources of the eastern side of the county are also exceptionally rich, notably the popular Llangollen canal.

Plans are in hand in association with the British Waterways Board to refurbish the Trevor basin, near the Froncysyllte Aqueduct, and to provide mooring facilities for overnight stays at Llangollen itself.

The county couocil has also launched in Llangollen a European Centre for Folk Studies, capitalising on the town's unique international reputation in the world of music.

Clwyd sees as one weakness in the furtherance of its tourism industry a relative shortage of good quality hotels, though the position is better than it was a few years ago. A Warrington brewery group, in particular, has been investing in hotels in the county and improving their facilities.

There is also bope that a new site at Ewloe, at what is now a new motorway interchange at the gateway to Wales, will attract a new hotel development which would be associated with a tourism information centre and touring caravan park.

Meanwhile, the county has joined forces with the Chester Marketing Board. The historic Cheshire town is a key attractioo for foreign tourists and the improvement of Clwyd'a tourism resources will offer Chester's hotels the opportunity to persuade overseas visitors to extend their stay.

PAPER AND PACKAGING

Valuable base for growth

PAPER, packaging and forest products proved a valuable source of industrial growth and new job creation since Clwyd began wrestling with the problem of the loss of iron and steel-making at the British Steel Corporation's Shotton works.

Easily the biggest investment project won by the county in the past five years is the Shotton Paper Company's giant new £135m integrated thermo-mechanical pulp and newsprint mill on Deeside.

This new investment by Finland's United Paper Mills group began production last May, heralding a historic revival in British domestic newsprint manufacture.

But it is not the only significant development. Not far away, at Saltney Ferry, tha Swedish MoDo Consumers Products Group has just put the finishing touches to a £6m modernisation and expansion programme at its Clwyd factory. The new investment at the plant, which makes a wide range of household paper products, is aimed especially at meeting the fast-growing UK market for disposable napples.

At Gresford, near Wrexham, Metal Box has just invested more than £2m in a new factory to meet the rapidly-rising demand for PET bottles.

On the Wrexham Industrial Estate, the Swedish packaging group, Tetra Pak, is investing a further £15m to double output of its packaging systems over the next three years. It brings to £37m the capital invested in the site since the company arrived in Wrexham in 1979.

Also in Wrexham, the U.S.-owned Continental Can company is investing a further £6m to provide a fourth can-making line at the plant to meet the needs of the fast-growing British market for canned beers and soft drinks. The company has already invested £25m in the plant, which began operations in 1980.

At Chirk in the south east of the country, the chipboard manufacturer Kronospan has just complted a £10m expansion, to increase its output by soma 45 per cent.

The decision by Finland's United Paper group to build a major new pulp and paper mill on Deeside was all the more welcome since it came at a time when the closure of Bowaters' Ellesmere Port paper mill was still fresb in many people's minds.

But it is a measure of the dramatic change in the technology of the industry—and an explanation of the relative economics of the two mills—that the Shotton Paper Company's highly automated plant has a workforce of just 240, manning an integrated production process which runs 24 hours a day seven days a week.

The Ellesmere Port plant, on the other hand, still had 1950s technology aod its closure created 1,600 redundancies.

Although the new Shotton mill's direct manpower is small, it is calculated to have created another 1,200 jobs indirectly—some 200 in transport, 200 in paper distribution and 800 in forestry.

Fundamental to the project has been the increasing availability of home-grown timber to supply a UK newsprint market which in recent years has been 75 per cent supplied by imports. The Shotton site is conveniently located between its main sources of raw material supply—the forests of Wales and southern Scotland.

After more than half a century of plaoting by the Forestry Commission, both areas are beginning to yield substantial quantities of timber.

Mr Kevin Lyden, Unitad Paper's local director, points out that Deeside is also within easy distance of the main UK newspaper printing centres. Manchester, Liverpool and Birmingham are not far and even Fleet Street is only five hours' drive away by heavy lorry.

Long-term

Output from the plant is now running at the rate of 450 tonnes a day. But it is expected to rise to between 550 and 600 tonnes a day by next year or an annual output of around 200,000 tonnes, about 16 per cent of annual UK newsprint consumption.

Some of the initial output is being shipped from Ellesmere Port to as far away as Indonesia. But this is because many prospective customers are now tied into long-term contracts for imported newsprint.

Shotton plans tn establish domestic outlets for all its production as the supply contracts come up for renewal.

While these are still early days in the life of Shotton Paper Company, provision has been made for a second production line on the Shotton site: not least because the amount of timber available from domestic forests is dne to increase from 3.8m cubic metres a year at present to some 8m cubic metres by 1996.

Metal Box'a decision to build a second factory in the Wrexham area reflects the sharp growth in demand for PET bottles for carbonated beverages. These clear, lightweight, plastic bottles have won a major foothold in the UK soft drinks trade and are now making inroads into cider and beer packaging.

Currently, PET bottles account for over 9 per cent of the total packaged beer market in which Metal Box claims to be the leading supplier.

The company's original factory at Gwersyllt is also being expanded into its main extruded bottle making facility, following the decision earlier this year to close its Portsmouth factory.

Besides producing a wide range of containers for household products such as washing-up liquid, shampoos, talcum powder and carpet cleaners, Metal Box has just begun producing a new type of bottle, using a laminated material known as "Lamicon," designed to penetrate sectors of the food container market previously closed to conventional plastic bottles.

It has already been adopted as a sauce bottle container by a number of food manufacturers.

TECHNOLOGY

EDITED BY ALAN CANE

DTI asks for study of mains signalling

ERA TECHNOLOGY of Leatherhead, the electrical research organisation, has been asked by the Department of Trade and Industry to study mains-borne signalling systems.

For 30 years, electricity authorities have been using their own grid system to send operating information between control centres and power stations, so the subject is far from new.

More recently industrial systems have been appearing for controlling electrical loads, heating systems and other equipment from a central point. There are also several systems on the market that provide speech communications over ring main wiring in all kinds of premises including houses.

The technical problems centre on the fact that the wiring involved is designed to carry 50Hz mains power, not information signals. There have been difficulties with interactions between systems using the same cables and domestic speech has "leaked" from one house to another over the street wiring. Electrical noise is also troublesome.

Flat race with a big prize

Geoffrey Charlish on how the promise of rich rewards is spurring attempts to develop flat screen televisions

THE FIRST company to put a 22 inch flat screen colour television on to the shop shelves seems bound to sweep all before it, and it is that vision which drives the continuing quest for e flat, full colour, high definition television display.

Most of the big electronics groups with TV interests are believed to have teams at work. The latest to make a research announcement is Philips, hard on the heels of Matsushita, which announced prototypes of a 10 inch diagonal tube earlier this year.

In the data display area, it looks as if liquid crystal displays will win in portable machines. Thorn EMI's recently-announced Liberator, for example, is a £750 "knee-top" text processor with a Toshiba display measuring about 14 x 3 x 1.0 inches with 480 x 128 picture dots.

For high definition colour TV reproduction, the cathode ray tube remains the elegant solution technically, provided something can be done about its front to back dimension. A typical 22 inch diagonal tube has about the same depth, making TV cabinets rather bulky. A receiver thet could be hung on the wall, it is generally agreed, would sell like hot cakes.

The technical ettraction of the tube is that a weightless beam of electrons can be scanned over the tube face with relative ease, painting successive horizontal lines in colour to build up an image which the brain interprets as a complete rectangular picture.

The electrons come from three separate colour "guns" pointing at the screen and grouped centrally behind it. They are eccelerated so that when they hit the screen in a tiny dot, they give up their energy as red, green or blue light.

But the closer the gun is brought to the screen to reduce the dimension, the wider the angle of deflection needed for the beam to reach the picture edges. The limit is about 110 degrees, used in all modern tubes.

Electron beams are more easily bent if they are less energetic, but then they do not produce enough brilliance on the screen.

One approach is to separate the picture-forming (scanning) elements of the tube from the high-energy, light-producing elements. Philips, for example, places a single gun behind the screen, but close to and parallel with it, pointing downwards.

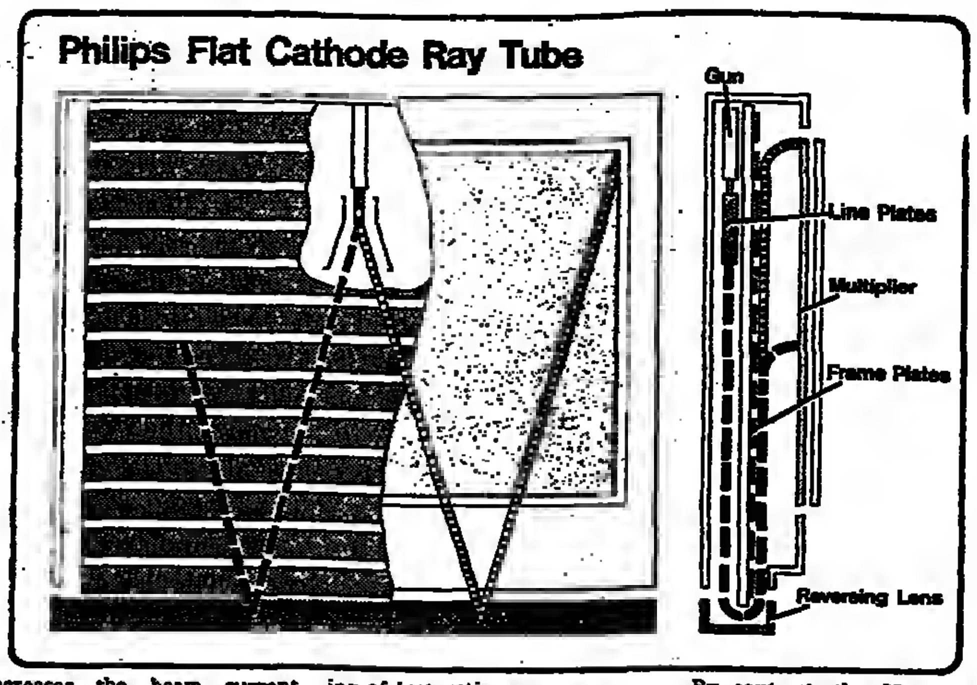
The electrons leave the gun with low energy and immediately encounter deflecting plates. With a fairly small voltage, these plates can deflect the beam over the width of tha tube along its bottom edge.

At the lower horizontal edge a reversing lens turns the electrons through 180 degrees and sends them upwards. They pass over the front, vertical face of a set of plates which basically are a series of horizontal strips of metal set one under another across the tube face.

The electrons continue to execute a horizontal scanning motion, but voltages on the plates divert the electron beam outwards a line at a time, so it scans the face of the tube to produce a raster in just the same way as the beam in a normal cathode ray tube.

The remaining problem is to restore energy to the beam so that it produces enough brilliance for TV viewing when it strikes the light-producing phosphors on the tube face.

The answer is to use an electron multiplier, a device which accepts small numbers of electrons and multiplies them. A series of plates of increasing voltage attracts the electrons and they strike them. The plate surfaces are made from special materials which emit more electrons than they receive, producing a multiplying effect from plata to plate. This increases the beam current, which in turn raises the brightness level when the beam finally hits the screen.



A successful 12-inch monochrome tube only three inches thick has been demonstrated in the Philips laboratories at Salfords in Surrey, and the team is now working on a colour version.

Instead of using three guns, the new approach uses only one and colour differentietion does not occur until the electron beam emerges from the multiplier, with suitably rapid switching of instructions.

Three separate scans are used, each scanning at three times normal rate and maintaining standard TV picture rate. By applying voltages to specially shaped exits from the multiplier, the beam can be deflected to fall on red, green, or blue horizontal stripes, one for eech picture line, as called for by the video information.

A two-inch demonstration model has been built, but Philips gives no hint about when a full sized prodnction model might emerge.

By contrast, the Matsushita approach is to use a number of electron sources disposed over the tube face, feeding about 3,000 picture cells whieb are, in effect, tiny individual cathode ray tubes. (This page, February 22 1985.) The small deflection angle means the tube depth need be only four inches.

Both these designs are complicated compared with a normal cathode ray tube and neither company has said much ebout prices. Matsushite has already demonstrated a 10-ineb unit.

Consultants forecast changes in the league table

Professional Personal Computing

THE UK market for professional personal computers will continua to show sound growth although at a slower rate than hitherto. With half a million PPCs already installed, it probably has the capacity to absorb a further two million machines by 1990.

These are the chief — and optimistic — conclusions of the most recent reports from the specialist consultancies studying the market for personal computers costing $1,000 and more. The reports also show substantial agreement on the size of the UK market for these computers and the share taken by each of the major manufacturers.

Romtec of Maidenhead, Berkshire, estimates that some 180,000 units were shipped in 1984 of which 25 per cent were IBM machines, 15 per cent Apricot (formerly ACT), nine per cent Apple and six per cent Epson.

Intelligent Electronics of Paris, France, says that 190,000 units were shipped with IBM again taking a 25 per cent share. It estimated Apricot's share as 17 per cent and Apple as 11 per cent.

In 1985, Romtec says that 216,000 units will be shipped against Intelligent Electronics estimate of 260,000.

The proportions taken by the major manufacturers are very similar, however, in the two studies. Romtec says IBM will have 36 per cent with Apricot in second place (17 per cent) and Apple third (8 per cent).

Olivetti will leap into fourth place this year, Romtec says with seven per cent, relegating Compaq to fifth place.

Intelligent Electronics says IBM will have 42 per cent against Apricot's 15 per cent and Apple's seven per cent. It also shows Olivetti overtaking Compaq for fourth place, but by a much smaller margin.

According to Romtec: "Olivetti has overtaken Compaq as the leading supplier of IBM compatibles during 1985. The relative position is not expected to change in the foreseeable future."

"Apricot's relatively poor showing compared to IBM can be largely explained by its inability to break into the corporate marketplace. The lack of a direct sales force and the small size of many of the vendor's dealers is a major factor."

It goes on: "Apple and Commodore are responding differently to the erosion of their late 1970s market share. Apple have taken IBM head on with an alternative technology and standard (MacIntosh technology), but suffer in much the same way as Apricot by not cracking the corporate market."

"Commodore's launch of an IBM compatible range may be seen as being too little too late."

Romtec's reason for believing the UK market can absorb another two million machines is based on evidence that by mid-1985 only one business microcomputer was installed for every 40 members of the working population. Overall, of the 1.4m business establishments in the UK only 11 per cent had installed one of more micro.

The figure varies from 3 per cent for very small businesses to 95 per cent and more for very large organisations.

It forecasts that one in eight members of the working population will be equipped with a business microcomputer by 1990: "This implies that the current installed base of over 500,000 business microcomputers will exceed 2.5m at the end of the decade."

A major factor in the growth of the market np to 1990 will be the increasing share occupied by multi-user systems—34 per cent of the number of units installed aod 54 per cent of the value: "This effect will be balanced by the decline of the transportable and the increasing value of low cost portables."

Transportables means portable compnters which can be carried more comfortably in a car boot than in the hand. Portables are increasingly described as lap computers, small enough to fit into a brief case and easily used on train or aeroplane.

Romtec believes that by 1990 16-bit processors will be the norm for 90 per cent of all microcomputers: "The eight bit will continue to fade away and real 32-bit processors will become increasingly significant towards the end of the period."

Significantly enough, Intel launched its true 32-bit microprocessor the 386 last week at the same time that IBM and Texas Instruments were announcing ehips and boards to enable personal computers to be networked easily together.

Romtee notes: "More sophisticated seetors of the market will be making a choice between local area network and multi-user system configurations. During the remainder of the decade, de *facto* standards will emerge for multi-user operating system and local area networks. Most of the leading software products will become available in multi-user versions."

Looking at the UK market for personal computer software, Intelligent Electronics says that users' demands are more developed than elsewhere in Europe, chiefly due to substantial computer awareness, ease of access to the latest U.S. software technology and an active and home-grown software publishing business.

The most popular piece of sofeware is the integrated package 1-2-3 from Lotus which combines an advanced spreadsheet with graphics and database handling.

There are, in fact, four principal software categories—integrated packages (which encompasses spreadsheets to a large extent) word processing, data base and administration.

Distribution channels are tightening, however, the report warns. Competition is forcing reduced margins and service and support demands on the parts of the users and dealers are increasing.

The report warns that many distributors supply very wide ranges of off-the-shelf software which they do not have the resources to support. They are finding it difficult to maintain cash flow and profits when their margins are being squeezed.

UK Business Micromarketplace 1984-1990 Romtec, £875, 0628 74242. *PC Software Markets in Europe* Intelligent Electronics, Paris 45 35 4383.

ALAN CANE

Electronic eye comes to the UK

MACHINE VISION systems made by Cognex Corporation of Massachusetts are to be distributed in the UK by Intertrade Scientific of Milton Keynes.

Basically such systems are untiring, accurate and rapid substitutes for the human eye. They use a television camera to capture images which can then be analysed at high speed for dimensional and shape characteristics. On a production line, for example, they are used to identify items which do not conform and send a signal to a line diversion gate which rejects them.

The main applications of Cognex systems in the U.S. have been automatic reading (character recognition) and inspection.

The company claims to be a leader in the machine recognition market in the U.S., where their 11 contenders hold about 90 per cent of the market which was valued in 1984 at $80m.

More on 0908 676633.

Fisher Controls buys PSystem

CAP, the computer systems house, has made its first UK sale of PSystem to Fisher Controls at Lewisham in London. Fisher is a leading international supplier of process control equipment for the oil, chemical, energy and defence industries.

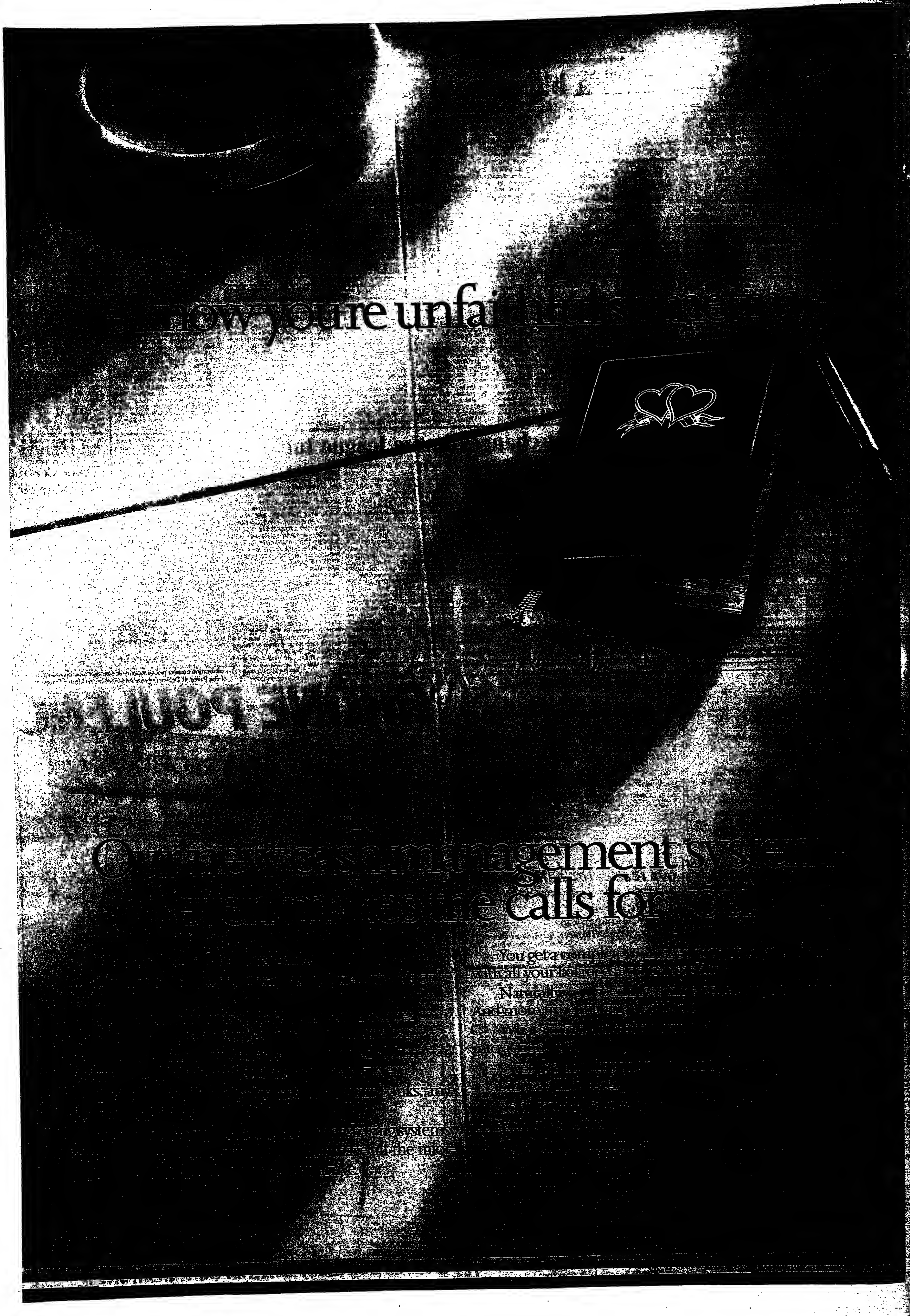
PSystem is screen, keyboard and computer replacement for Fisher's present paper-based method of keeping track of production and stock. It is specifically designed to cope with the "make to order" and "custom build" nature of Fisher's business.

Installation has already begun and the £120,000 system will be introduced over the next 18 months with some 60 terminals.

BASE LENDING RATES

ABN Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co	†11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co Ltd	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co	12½%
BCCI	11½%	Meghraj & Sons Ltd	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd	11½%
Bank of Scotland	11½%	National Bk of Kuwait	11½%
Banque Belge Ltd	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westeminster	11½%
Beneficial Trust Ltd	12½%	Northern Bank Ltd	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd	12½%
Cayzer Ltd	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co Canada	11½%
Citibank NA	11½%	■ Charterhouse Japhet	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co Ltd	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	1?
Continental Trust Ltd	11½%	Whiteway Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd	12 %		
Financial & Gen. Sec.	11½%		
First Net. Fin. Corp.	12½%		
First Nat. Sec. Ltd	12½%		
■ Robert Fleming & Co	11½%		
Robert Fraser & Ptrs	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.


management
calls for

APPOINTMENTS

BR property man

BRITISH RAIL PROPERTY BOARD has appointed Mr Douglas Leslie as deputy managing director following the retirement of Mr Peter Ambrose. Mr Leslie moves from his previous post as board member responsible for the estato management portfolio. He is succeeded as director estate management by Mr David Lawrence, who was chief estate surveyor (management).

★

JOHN WALKER & SONS has made two board appointments: Mr Alan Walden-Jones, currently an export area manager for John Walker & Sons, joins the board as export sales director. Ho succeeds Mr Patrick Gillen who takes up a new position as managing director of John Dewar & Sons on November 1. Mr Clive Sims, John Walker's marketing systems manager, also joins the board on March 1 as marketing services director, replacing Mr Tony Oscroft who will become managing director of James Buchanan & Co. in April next year.

★

THORN EMI COMPUTER SOFTWARE has appointed Mr Richard Osborne as vice-president responsiblo for finance and administration, at its North American subsidiary Thorn EMI Computer Software (USA) Inc.

★

GRANARD COMMUNICATIONS has promoted Ms Penny Simpson to board director from associate director.

★

Mr Colin D. Thomas has been appointed associate director—corporate finance with THE ROYAL TRUST COMPANY OF CANADA. He was previously with B.A.I.I.

★

Mr John Morley has been appointed by EMULEX CORPORATION to handle its Parsyst business in the UK. Since 1983 he has been sales director of Practica Computers, a minicomputer systems house and IBM personal computer dealer.

★

Ms Patricia Hodgson has been appointed secretary of the BBC working directly to the chairman and director-general. She replaces Mr David Holmes, who has retired. Ms Hodgson has spent most of her career as a television producer. She became deputy secretary in 1983.

★

Sir John Read, who joined the TSB Group in 1980 as chairman of the central board and who has taken prime responsibility for the structural changes in recent years, has been appointed the first chairman of the new company to become operational prior to the flotation date in February 1986 (subject to Treasury approval). Mr Ian Fraser, who recently retired as chairman of Lazard Brothers, has been appointed deputy chairman. In recent months he has acted as financial adviser to the TSB central board on flotation matters. The five executive directors are:— Mr Philip Charlton, group managing director. He joined the group in 1947 and since 1982 has been chief general manager of the central executive. Mr David Thorn, deputy group managing director. He joined the group in 1975 and has been deputy chief general manager of the central executive since 1979. Mr Ian Macdonald, who joined the group in 1983 as chief general manager of TSB Scotland. Mr Leslie Priestley, who joined the group in 1985 as chief general manager of TSB England and Wales. Mr Derek Stevens, who has been appointed finance director. He joined the Group in 1981 as general manager finance, TSB group central executive.

The 12 directors from the TSBs are:— Mr Neville Barkes, Mr Michael Chalcraft, Mr Bryan Corser, Mr Richard Ellis, Mr Peter Holt, Mr Geoffrey Hughes, The Earl of Iddesleigh, Mr Reginald Jeune, Mr Forbes Macpherson, Mr Denis Martineau, Mr Kenneth Millichap, and Mr Stanley Rainey.

The seven independent directors are:— Mr David Backhouse, Mr Lyndon Bolton, Lord Bruce Gardyne, Mr Dundas Hamilton, Mr Peter Paisley, Mrs Jane Prior, and Mr Nigel Robson. Mr Peter Rowland has been appointed secretary of the new company.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Sheila Pickles: outlets in exclusive places

Penhaligon's new formula

Christopher Lorenz on the revamping of the UK-based perfumier's marketing

FOUR years ago it seemed as if Penhaligon's could do no wrong. A former barber's business with roots reaching back into the Court of Queen Victoria, it had been transformed into a thriving, up-market perfumery enterprise based in the revitalised Covent Garden district of central London.

The company owed its success to the energy and design flair of Sheila Pickles, a Yorkshire woman in her mid-30s, who in 1975 had bought the near-defunct business with financial backing found for her by Franco Zeffirelli, the Italian stage and film director, for whom she used to work. Apart from the Penhaligon's name, its prime asset was a collection of 19th Century scent formulas.

By applying meticulous standards to every aspect of design—products, labels, packaging, graphics, shopfitting, uniforms, carrier bags, mail order catalogues and other promotional literature—she had created a business which could trade on quality and exclusivity, charging high prices yet commanding an extraordinary degree of customer loyalty.

From a near-standing start in 1975, sales were heading towards £500,000 by mid-1981. Profitability was on the rise, and the world's leading retailers were hammering on the company's elegant burgundy doors for the chance to stock its range of ultra-English Victorian and Edwardian perfumes, talcs and soaps.

Therein lay the rub.

In early 1980 the company still had just one retail outlet—the Covent Garden shop. But over the next two years a breakneck expansion took place through a growing network of foreign agents and distributors. By late 1981 Penhaligon's products were being sold in about 30 American outlets, as well as some 50 shops in several other countries, including Canada, Japan, France and Italy.

As Pickles herself puts it, in characteristically forthright terms: "We moved too fast — we over-traded."

The problem was not that Penhaligon's exclusivity was damaged — its products were not sold in more than one shop per town—but that the agents' terms ate heavily into its margins and cash flow (payment generally took two months). Heavy overseas promotional costs had to be incurred, several contracts which promised to be profitable proved not to be, and there was the added burden of start-up costs for manufacture in a rented factory in London. The end result was that a pre-tax profit of almost £9,000 in the year to March 1981 was turned into a thumping loss of almost £54,000 just 12 months later.

By the time the magnitude of the loss became apparent Pickles had begun to encourage her new in-house book-keeper, Wendy Ward, to develop accountancy skills, and to produce budgets and projections for sales, cash flow, profits and so forth. Recalls Pickles: "We had always been terribly efficient in certain areas, especially products, design and the training of shop staff — but not in finance."

Pickles had also called in a management advisor, Peter Gorb, who heads the design management unit at the Business School and has considerable experience of retailing and small business.

The speed with which Pickles, Gorb and Ward were able to overcome Penhaligon's problems underlined the fundamental strength of the business. But a complete re-think of its marketing strategy was needed, including a reversal of its previous distribution arrangements.

With the benefit of hindsight, Pickles agrees with Gorb that the marketing path she had been following was too narrow. She had become heavily dependent on agency distribution, with all its attendant risks of lack of control and narrowness of margins. To make that formula pay, the number of outlets would have had to be increased still further, which would have undermined the company's exclusive character.

The reorganisation consisted of four main elements. First, all the wholesaling arrangements were renegotiated or dropped. The two prime U.S. outlets, Nieman Marcus and Bergdorf Goodman, agreed to cut out intermediaries and buy direct, taking delivery in the UK instead of the U.S., and paying within five days. Except for a few retailers who would agree to a similar deal, all other arrangements were gradually shut down.

Second, after a careful check on the sales volume and margin of each item, the product range was streamlined. And stock control procedures were tightened sharply, with checks being run monthly, instead of twice a year.

Third, Penhaligon's parted company with its two marketing staff.

Fourth, the nascent planning and management accounting system was developed—fast. Three profit centres were established, and a formal annual budgeting system and three-year plan introduced, with monthly meetings to assess performance against plan (and to amend plans if necessary). Budgeting and accounting has gradually been computerised, and since last year the company's own in-house computer has been churning out complete management accounts, including a full-year forecast, within seven days of the end of each month.

Finances have also been put on a much firmer footing. In 1984 accumulated loans of nearly £250,000 from the original backers were capitalised into preference shares, and a medium-term loan taken out from Lloyds Bank under the British Government's loan guarantee scheme; the Penhaligon's bank account was transferred to Lloyds from Natwest, along with an increased overdraft credit.

Underlying all these changes lay a very clearly defined new strategy of selling direct through both Penhaligon's mail order catalogue and an expanded range of small shops. Despite the high level of rents in central London and the handful of other cities round the world on which the company has set its sights, far higher margins can be earned than via wholesale distribution.

In London itself, three new shops have been opened in the past two years—in Brook Street (Mayfair), in Burlington Arcade (off Piccadilly), and, this month, in Moorgate (the heart of the City). The plan foresees only one more UK outlet, in the Kensington area.

In parallel with this controlled geographic expansion, Pickles is pursuing limited product diversification. To coincide with the City opening, a new range of products was launched, based on a scent called "Lords." And a new perfume has just been created to be sold under the label of "Joseph," an ultra-modern and highly fashionable international chain of fashion shops.

Pickles is confident that her current five-person management team can take the company through its next period of growth.

The design initiative, and much of the execution, remains Pickles's own, as it has always been, though she continues to make use of the skills of Madeleine Bennett, a graphic designer at the Michael Peters consultancy.

The resilience of the new Penhaligon's formula is demonstrated by its dramatic recovery since 1983. By the end of the current financial year next March, sales are expected to have more than doubled, to about £1m, and profits to have soared more than 25-fold, to £110,000.

Though a continuation of this rate of growth is clearly in prospect for a time, Pickles is quite happy that the preservation of Penhaligon's exclusive character will impose natural limits on its expansion. "I look upon Penhaligon's as a family business which is really enjoyable to run," she says. "I don't want us to become like Estee Lauder."

Business expansion

Investors shun the smaller funds

BY WILLIAM DAWKINS

MIKE BURTON and the proprietors of six small businesses in the Fylde region north of Blackpool are today disappointed men.

Burton is director of the Wyre Business Agency, the area's local enterprise agency, which recently failed in its attempt to raise a minimum of £100,000 to invest in local companies under the Government's Business Expansion Scheme (BES).

Ironically, the Wyre agency's proposal was bang in line with what the Government would like to see the BES achieve. Its BES syndicate, modelled on the successful St Helens Trust, aimed to inject tranches of between £30,000 and £60,000 into developing companies in an area of high unemployment. Moreover, it was designed to do something to fill the much-bemoaned funding gap which conventional venture capital groups find uneconomic to enter.

Six companies duly presented business plans, one of which was even prepared to move into the region from Rochdale to qualify for agency funding. Yet barely a handful of investors came forward. The fund has been scrapped and Burton is now considering whether to have another go early next year.

"Putting it mildly, we feel a tremendous sense of disappointment. We have identified a need for this sort of money, but it just doesn't seem to be working," he says.

The Wyre syndicate is not the only BES fund to have found it hard to winkle money out of investors in recent months. After a good start to the season—with around £10m raised in the four months to July—the climate for BES fund-raising suddenly seems to have turned chilly.

The 11 funds to have closed for subscription this tax year so far have raised £17.3m, just over half the amount pulled in during the same period in 1984. Seven of these have collected less than half of their maximum targets.

Fund managers are divided over whether this represents a sharper than usual seasonal lull or suggests that investor demand is getting saturated. Either way, it could point to a tougher time ahead for small businesses seeking finance from BES funds.

"We are in the doldrums between the start of the BES and the first fruits of the scheme becoming evident," says Richard Martin, a director of Hodgson Martin Ventures, managers of the First Abbey BES Fund, which raised a mere £570,000 towards its top target of £2.5m.

"There has been a huge flurry of people coming into the market to raise funds with increasing difficulty, but as yet, nobody can point to any major achievements under the BES. That makes people cautious," Martin explains.

The funds are also struggling against growing competition from an exotic array of direct share issues. Included in the latest batch is a yachting marina, a chain of nursing homes, country house hotels, a thoroughbred horse breeder and a dealer in 18th century porcelain.

The solid asset backing promised by such issues looks much more attractive to many investors than the more run of the mill trading ventures the funds tend to offer in line with the Government's intentions for the BES. There have been 18 direct (single company) BES issues so far this year, raising around £8 between them. If the usual end of the year rush repeats itself, last year's total of 57 direct issues should be easily beaten.

Martin points out: "The funds are only selling a blank sheet of paper. People have to look at our record and trust us. That is always going to be a disadvantage against something concrete that you can describe in glowing colours."

Another disadvantage which BES fund managers have repeatedly brought to the Government's attention is that they can only offer investors tax relief after their money has been placed with small companies, while direct issues can offer tax relief immediately.

That is not to say that all funds are having a miserable time this year. The largest and longer established groups like Charterhouse Development, Lazard Development Capital and County Bank Development Capital have all done well. County Bank's Third Business Expansion Fund set itself no precise target because it was open-ended, but it closed at the end of last month with £2.8m, more than twice as much as its 1984 fund.

Charterhouse boasts the biggest BES fund of the year with £4.6m, just short of its top target of £5m, while Lazard has been the only fund to reach its maximum subscription with £2.5m.

The lessons for small companies looking for BES finance are two-fold. Either apply for cash to a large fund which has the muscle to bring in more capital when you need another round of financing in later years; or move your headquarters into a historic country house and make a direct share issue.

In brief...

VENTURE Capital in 1985—The International Outlook is the title of a conference to be held at the Hotel Inter Continental in Geneva on November 12 and 13.

Jointly sponsored by the Financial Times and Venture Economics, the U.S. research consultancy, the conference will focus on corporate venturing and relationships between large and small companies. The fee is £575 and enquiries should be addressed to the FT Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Telephone 01-621 1355.

•

CHARTERED accountants Hacker Young are staging two seminars next month for directors of profitable medium sized companies who are considering a flotation on the Unlisted Securities Market.

The two-and-a-half hour sessions are free and will be held on November 20 at the Royal Scottish Automobile Club in Glasgow and on November 28 at the Nottingham-Derby Post House. Subjects will include the pros and cons of a flotation, entry requirements, advisers' roles, pricing and timing.

Details from Richard Simmons at Hacker Young, St Alphage House, 2 Fore Street, London EC2Y 5DH. Telephone 01-588 3611.

•

FEW entrepreneurs are aware of the special problems involved in managing a growing business, warns the accountancy firm Spicer and Pegler in its latest booklet.

Partner Adam Mills identifies five main questions which expanding companies ignore at their peril. They include how to handle increasing pressures on people, plant, organisation and cash; how the businessman should plan for growth in detail; where the company may be going in the years ahead as a result of decisions being taken now and what changes in course should be made; how to keep key executives motivated; and finally how the businessman should realise the benefits of his investment in time and money.

Copies of Managing the Growing Business are available free from Spicer and Pegler at Friary Court, 65 Crutched Friars, London EC3N 2NP.

•

THE Manpower Services Commission is sponsoring a training programme to assist busy owner managers to think out expansion plans and a structure to put them into effect.

Organised by Urban Economic Development (Urbed), the training and job-creation body, the programme starts early next year in North London. Participants will be encouraged to learn from one another's business experiences, and the course will emphasise the practical aspects of turning business plans into action. Details from Andrew Ferguson, Urbed, 99 Southwark Street, London SE1 0JF.

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wishes to acquire a similar Company, Public or Private, with net profits before tax in excess of £200,000.
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SOCHALL SMITH & CO.
Chartered Accountants
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Replies to Managing Director
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Please contact Ruth Drahota for application forms, course brochures and information on local accommodation

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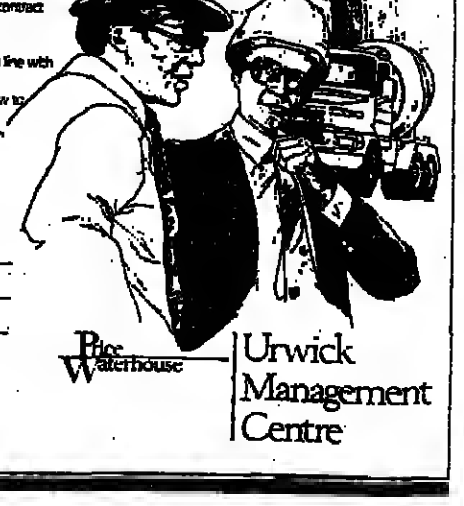

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Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH.
Tel: 01-831 7130 Ext. 4180.
Telex: 888604 AYLO.

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Cork Gully

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Telephone: 0602 607131

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With annual sales of
£250,000

This product line is fitted to buses and trucks to save fuel. Does not fit product line of this well known plc
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Sales over £500,000
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Owning retiring
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Freehold Workshop & Offices, Vans, Plant, Equipment, etc.
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C. J. Barlow FCA,
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Bristol BS1 2QA.
Telephone: 0272 292791
Telex: 449652

Road Planning Contractor
HUDDERSFIELD

Offers are invited for the business and assets of Milford Sutcliffe Ltd trading as "Panda Plant" in receivership.

The company operates from freehold premises in Elland near Huddersfield. Turnover in the year to 31st October 1984 was approximately £1.45 million.

For further details contact the Receiver and Manager: Peter Flesher, Thornton Baker, Eldon Lodge, Eldon Place, Bradford BD1 3AP. Tel: 0274-734341. Telex 51611.

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Small Group of North of England based Companies, actively engaged in profitable sub-contracting to the Building Industry. 1985 turnover £6 million plus. Consistent record of Profit, Growth and Liquidity. On-going management and buoyant forward situation.

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1984 TURNOVER £320,000
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Well-known brand name.
Circular Knives for slitting applications in the paper and plastics industry.
Turnover £400,000 p.a.
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For further information, please contact:
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Newcastle upon Tyne NE1 6EA
Telephone: (0632) 614111

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Cosmetic Formulator and Manufacturer
Market Harborough
Leicestershire

C&L

For sale as a going concern the business comprising:—
Freehold and leasehold property utilised for the manufacturing and packaging of a variety of cosmetic and allied products.
All production plant and equipment, trading stock and other assets of the company.

For further information please contact:

Cork Gully

G. R. B. Godden,
I. M. Sisson,
Joint Receivers and Managers,
Innde Chemicals Limited,
Oriel House, 55 Sheep Street, Northampton
NN1 2NP. Telephone:
0604 30891. Telex: 312485.

BUILDING CONTRACTOR FOR SALE

Old Established Building Contractor with good work load and long-term relationship with major clients. Freehold yard in Central London. Profitable limited company with annual turnover of about £1 million.
For sale due to rationalisation of interests of majority shareholder.

Write Box H0308, Financial Times
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FOR MERGER OR POSSIBLE SALE

Fully operational, profitable 5-year unconditionally licensed asbestos removal company. Own plant and decontamination units. Enjoys good reputation in this specialist field.

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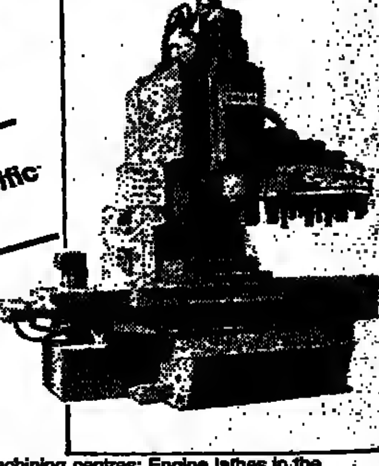

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For detailed information please apply to

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THE ARTS

Tate Gallery/William Packer

Under starter's orders

I must confess straightaway that I am rather in favour of the Prix Turner, the Great Autumn Handicap of our Visual Art World, which gets its second running at the Tate Gallery on November 12. There are those, you may be sure, who would argue the contrary, saying that £10,000 is too big a prize to be won so arbitrarily, with so few qualifiers for the race picked out by what can only be a most unfair and undemocratic procedure. And it is besides so childish, trivial, and possibly commercial a diversion, far beneath the dignity of true artists and the serious business of their art. We have only to look over the wall into the Book World next door, with its betting and dinners and boring speeches on television, to see where it all might end.

Now no regular reader of mine could possibly imagine that I do not think art, and

Six runners for the Turner Prize have been declared: it is time to look at the form

modern British art in particular, to be a most serious business. But in the course of declaring the result of the inaugural running of the prize last year, Lord Gowrie, lately our arts minister and a man who knows precisely how serious a business art is, gave it as his firm belief that there is always room for a little fun, and this was rather good fun. And I would always hesitate to disagree with Lord Gowrie. My only real surprise is at the failure of any astute sponsor to recognise the opportunity long ago, an opportunity which the Tate Gallery and its Patrons of New Art have seized upon with such force.

The six runners for this year's Turner Prize were declared some time ago, and are now in the paddock at the Tate, or rather the rotunda in the centre of the old Sculpture Hall, where an example of the work of each of them is to remain on view until the big day itself. Perhaps it is time to go down to have a look at the form and mark our card.

Howard Hodgkin is the only artist from last year to be entered again, and again is bound to be one of the favourites to win. In recent years he has gained an international reputation with his lush yet finely judged romantic expressionism, flirting just on the edge of representation and figurative suggestion. He was the star of the Venice Biennale last year, which show was toured abroad by the British Council and is now at the Whitechapel Gallery in an augmented version. A show of his prints is at the Tate itself. There are no doubts about his class, and though he is a bit one-paced, he is sure to get the trip. But this has been a long season, and with all the weight he carries at the top of the handicap, this may just be one race too many.

The other painter in the field, John Walker, is also certain to be strongly fancied. He has been a force in British art since the late 1960s and has shown widely abroad, in America especially and now in Australia where he is teaching. A show at the Hayward in the spring, though it was perhaps over-large and uncritical in its selection, was impressive both in its sustained quality and the sheer quantity of work produced in recent years. He too is an expressionist of sorts, one of the first of his generation to move from abstraction towards a positive if ambiguous figuration. But that Hayward show was harshly received, and there must be doubts about his temperament, especially if he comes under pressure. Likely to run a bit free early on.

The Scottish sculptor, Ian Hamilton Finlay, is something of a dark horse, but he has a most distinguished record, and is certainly bred to stay. His work is represented in collections around the world, and if his wry and elegant formal and conceptual wit has won him more notoriety than reputation among the British public, that in itself may be taken more as recommendation than rebuke. The work hanging in the Tate is entirely characteristic: a deeply carved inscription taken from Saint-Just: "THE WORLD HAS BEEN EMPTY SINCE THE ROMANS," with its continuation, "But the memory of the Romans fills it; they go on prophesying liberty," hanging unspoken in the air. He is a most tenacious battler to the line, sure to be well supported, and in my book the one to beat.

The other sculptor is Tony Cragg, one of the younger entries, and a leading figure among those British sculptors come to prominence since the late 1970s, who find their material in the junk and rubbish discarded by society upon which they improvise with a deft and ready wit and ingenuity. From his more pictorial reliefs, Cragg has lately returned to more orthodox sculptural concerns, if not practice, with his enigmatic wooden heaps, landscapes in miniature, and tableaux. He too lives and teaches abroad, in Wuppertal, and has shown widely, in Europe especially. He must have a good chance, and is a fair each-way bet. I would expect him to cut out quite a bit of the early pace, and be there or thereabouts at the finish.

Mileua Kalinovska, the curator of exhibitions at the Riverside Studios, is the only filly in the race, and one to watch. She is eligible by virtue of the splendid sequence of exhibitions for which she has been responsible, which have given particular prominence to younger British artists, and to work by foreign artists that we would never otherwise have seen. Given the struggle necessary to sustain any kind of programme of exhibitions at all at Riverside, her energy and commitment by themselves

Art is a most serious business, but there is always room for a little bit of fun

should have proposed her entry. The Turner Prize was always intended to be open to those other than artists who have contributed by their efforts to the general good of British art, and it would be easy to see Miss Kalinovska as a mere token nomination this time to make the point. But though she must be something of an outsider, hers is a serious chance. She has, as Jimmy Lindley would say, a nice turn of foot, so do not be too surprised if she comes in at a decent price to upset the book.

The last of the runners is Terry Atkinson, another painter, and of them all the one who on reflection seems to be out of his class on the day. A show of his work called "Art in the Bunker" has been touring the country during the year, which deals with images of war, and the issues they raise. He is, however, recommended as much for his teaching and writing as for his painting, which he sees as all one in his didactic engagement with political and social issues. I do not expect him to win, but we shall see.

This then is the way I see it at the moment: Hodgkin—evens; Walker and Finlay at about 5:2 or 3:1; Cragg at 6 or 7:1; Kalinovska at 10:1, and Atkinson the outsider at 25:1. Or, after a stewards' inquiry, Finlay to win and Cragg and Kalinovska for the places.

The Caucasian Chalk Circle/Young Vic

Michael Coveney

The Oxford Playhouse production of Brecht's instructive fable is well suited to the Young Vic. It is clear, colourful and fairly well paced. What it lacks is genuine narrative zest and earthy vulgarity. It is all a bit cosy. The prologue is cut, so the heroism of Grusha, the kitchen maid who saves and rears the overthrown Governor's son, cannot be used as a Marxist lesson to the rival valley collectives.

Instead, Marty Flood's design is dominated by a vast inky cartoon in the style of Ralph Steadman in which a giant tyrant wades through glum grey peasants. The Young Vic thrust is effectively used and actors who also play musical instruments take up positions in a traverse, upstage ramp. The Chinese theatre effect is reinforced in the costumes — bamboo-decorated military uniforms, flowing silk prints and peasant tags and wrap-arounds that have a freshly laundered look not usually associated with Brecht.

This play can be exceedingly trying if the music is not well done or if the comic incidents are mishandled. Richard Williams's production is only fitfully successful. The singing narrator of Elaine Loudon has a slightly self-conciously ethnic score to lead and discharge. Her voice seemed not to respond all that well. The music is by Stephen Warbeck, some of it jaunty and melodic, lots of it mediocre. Grusha's marriage to a dying coward (in order to obtain signed papers for little Michael) is almost ruined by the unfunniest drunk monk I have ever seen.

The wedding/funeral party itself is partly redeemed by the huddle of guests in Arab costume who put me in mind of Alan Bennett's remark about T. E. Lawrence and his innocent companion, the unmade Bedouin. One of them is a dab hand with the spoons, just

Alastair Muir

Elaine Loudon and Sylvester McCoy

another instance of Sylvester McCoy's bubbling versatility en route from a gormless, limping Ironshirt to his woozily authoritative second act occupation of Azdak, the village soak chosen by the usurping soldiers to be the city's judge. Azdak deals with the case of the child's true mother: is she the hysterical Governor's wife on stilts Mary Chater who spawned him, or Grusha who cared for him?

McCoy is good at the improvised wisdom stemming from Azdak's fear and panic and can even steal a round on losing his way by appealing to the prompter in the circle with the line "What do I do next, God?" Peter Macqueen is a reliable stooge as Shanva. And Jackie Lye as Grusha and Michael Garner as her plighted lover Simon are competent in all they do. What the show lacks is real guts, any attempt to wrest it towards our own culture (in terms of design and music), or even a convincing sense of background revolutionary turmoil. Lip service to Brecht, especially difficult and not very good Brecht like *Chalk Circle*, is no longer a wise or appropriate policy.

Mahler Festival/Barbican Hall

Andrew Clements

Everyone who complained of the absence of Britten's music from the first phase of "Mahler, Vienna and the 20th Century" received their just desserts on Sunday evening, when the London Symphony Orchestra's programme under Richard Hickox ended with the *Spring Symphony*, of all Britten's major works surely the most uneven and potentially embarrassing.

It was coupled with Mahler's *Das klagende Lied*; logical planning of a kind, though the unevenness of Mahler's first large-scale score is both excusable (by youthful exuberance) and charming in the way it consistently throws up flashes of the later composer. Hickox chose the standard two-part version, omitting *Waldmärchen*, in the context of this concert probably the correct decision. Nevertheless, he did not suggest himself to be an instinctive Mahlerian; those passages of foresight proved to be awkwardly handled, and he seemed far happier managing the grander choral effects (the LSO Chorus in lusty voice).

Heather Harper, Alfreda Hodgson and Arthur Davies were the soloists; for the Britten the tenor was said to be suffering from exhaustion, and his place taken by Martyn Hill. Mr Hill proved to be the evening's main delight; many of the most souirm-ridden passages — did Britten *ever* assemble quite such an unfortunate collection of poetry as this? — were graced by his intelligent, freely produced singing. The Barbican Hall is a little small for choral works of this size; textures became clotted just too often; but there is not much any conductor can do with the final pages other than get through them as efficiently as possible.

*

Last Thursday's episode of the Mahler-Vienna Festival in the same hall had Claudio Abbado as LSO conductor, and Berg as Mahler's programme partner. In the Chamber Concerto, Issac Stern conveyed more of the emotional richness, colour, and poetry of the violinist's middle movement than I have ever before heard, and Peter Serkin greater technical accuracy and freedom in the pianist's opening (his handling of the crucial tremolos was masterly). In a work of such intensity and complexity, this was the purest gain; but by the hall's puzzling acoustics, balance (in what is always a tricky assignment anyhow) was often upset, and lower woodwind counterpoint often obscured. In the second half, the full LSO brought marvellous freedom of style to the 12 *Knaben Wunderhorn* songs —a freedom that, for all their (rather different) virtues, the soloists, Elizabeth Connell and Walton Gronroos, failed fully to match.

MAX LOPPERT

Helen Shapiro/The Ritz

Kevin Henriques

During her lively, entertaining set at The Ritz last Friday (she appears there three times a week during October) Helen Shapiro describes herself as a "closet jazz singer." A few years ago such a claim would have made jazz purists splutter cholerically, but in recent times they have had to adjust radically their evaluation of this erstwhile teenage pop star of the early 1960s. The moment of truth came last year when she joined forces with the Humphrey Lyttelton band at a London concert at which she sang a string of Duke Ellington tunes—and did so to wide and genuine acclaim, not least from the musicians accompanying her.

The fact is that from her teenage days Helen Shapiro's voice has had an unmistakable bluesy tinge and feeling, a feeling not needed for the pop chart numbers she sang. Most of these, including "Little Miss Lonely," "You Don't Know" and "Walking Back to Happiness," turned up on Friday. For the more discerning listeners among the wide range of diners in the opulent restaurant of The Ritz were handsome compensations including an expressively delivered "Cry Me a River," forever associated with Julie London.

Miss Shapiro's material covers a broad spectrum of eras and moods—from the modern belter "It's Getting Better" to the elderly but jumpy "Straighten Up and Fly Right." To all she brings sharp pointing of the lyrics, allied with quite impeccable musicianship. Her backing quartet of guitar, bass guitar, keyboards and drums underlines the rhythmic emphasis of her singing.

What a pity though she didn't sing just *one* Ellington number. "It Don't Mean a Thing" would have been as stirring a closer as "Let Yourself Go." For devotees as well as new admirers, though, there is the fine album *Echoes of the Duke* which she made with the Humphrey Lyttelton band for the trumpeter's own label, Calligraph. She's on 11 of the 14 tracks, fits in comfortably with the jazzers and really proves her credentials as a high-quality interpreter of a song. It is to be hoped that Helen Shapiro will come out of her jazz closet more often: what about a week at Ronnie Scott's Club with the Lyttelton band?

Helen Shapiro

Teresa Berganza/Covent Garden

David Murray

Teresa Berganza's recital at the Royal Opera on Sunday had its considerable charms, but they were concentrated into the second half. Only the very largest voices take easily to the front-stage arrangement for Royal Opera recitals; the dull acoustic is ungrateful, giving little sound back to the artist. The Vivaldi arias with which Miss Berganza began were carefully turned, but her special timbre was recognisable only from the middle section of the second, and even the spitfire third sounded small.

A substantial group of Brahms songs settled better, if unevenly still. "Ständchen" was properly charming, and "Liebestreu" had a cool intensity that carried very well. In songs that want more comfortable amplitude, like "Wie Melodien . . ." and "Immer leiser wird mein Schlummer," a certain reserve was felt: probably Berganza's kind of poise is hard to adapt to Brahms's broad lines. She had firm assistance from the pianist Enrique Perez de Guzman, himself an artist of character; he made a closely sympathetic partner, but the impression of honest intelligence applied to slightly alien material remained.

After the interval everybody was happier. Miss Berganza moved confidently into Hispanic territory with six Granados *Tonadillas*, and on to exotic Brazil with Antonin Francisco Braga's elegant transcriptions of African workers' songs. Nobody is more searching in the familiar Granados *Maja dolorosa* songs than Berganza, and Perez de Guzman illuminated their piano parts far beyond routine accompaniment. The other three *Tonadillas*, witty Spanish teases, were proof that Berganza remains inimitable in such stuff: wry, exact, delightful.

The Braga songs, variously cheerful, heartfelt or mysterious, are vividly theatrical. Berganza brought them to life with relish, and with added spice from the glittering piano.

London Sinfonietta/Barbican Hall

David Murray

On Friday Elgar Howarth conducted a Sinfonietta programme that came under the official umbrella of the "Mahler, Vienna and the 20th Century" festival. Just about anything can squeeze under that: this concert suggested the reading "Mahler and Vienna v. the 20th Century." I have just been listening hard to Schönberg's seminal song-cycle *The Book of the Hanging Gardens*, in which Viennese musical muscle was tensed for its definitive modern spring. Friday's Ligeti, Britten and Birtwistle could hardly have sounded more alien to that cultural path —if that last song of Britten's *Serenade* had been excised, the evening would have been chemically *Wienerfrei*.

That Britten "Sonnet" does own roots in Viennese music, with its ingrowing vocal line and fraught string harmonies. All the rest is surely Anglo-French, standing to honest between-the-wars Englishry much as the cleverest pieces of "Les Six" did to the pre-war Conservatoire tradition. It got an unusually robust performance by Neil Jenkins, a virile genuine tenor whose technique was equal to Britten's elegant line without a hint of preciosity or falsetto. Gleaming diction, too, well matched by Philip Eastop's strong and forthright horn obbligato—not quite accident-free, but with a bracing al fresco ring.

From where I sat the sound of the little string orchestra seemed slightly veiled, tidy but less brilliant than the music sometimes expects. Perhaps that was also why Ligeti's Chamber Concerto for 13 players missed some of its witty sting. Howarth mixed its ensemble colours with assured subtlety; the concerto aspect of the piece, its bright little solo excusions, made less effect. The ingenious pattern-play, excellently lucid, sounded mild and polite without the extra edge of volatile mischief.

If the Barbican Hall was perhaps a size too large for the Chamber Concerto, it was perfect for Harrison Birtwistle's *Verses for Ensembles* (same number of players, but all wind and percussion). In that space, the uncompromising hard edge and glassy shrillness of *Verses* made their full impact without actually causing pain, and the fierce solo exercises were formidable. Howarth measured the relentless progress of the piece, block by block by block, with a sure dramatic instinct, and yet again it reached its culmination with the sense of fulfilled purpose that the sectional construction would seem to rule out. Over 15 years *Verse* has lost none of its feral grip.

Smetana Quartet/Wigmore Hall

Max Loppert

The Smetana Quartet celebrates next month its 40th birthday. In all those years of existence there have been just two changes of personnel; this must now surely be the longest-surviving string quartet still active. Saturday's anniversary concert was not, however, an occasion for respectful salutes tinged with the delicate allowance-making that sometimes has to be employed for senior musicians. For it was a beautiful and inspiring concert: the free, fresh, unforced style that has characterised the Smetana playing all this time is still very much a thing of the present.

In the opening work—the C major Quartet, Op. 5, by Franz Xaver Richter, a cultivated stretch of the Classical lowlands out of which Haydn and Mozart were to rise like mighty peaks —the players used scores. For the rest of the programme they discarded them. This has ever been Smetana Quartet practice: and, while doctrinaire pronouncements ought to be avoided on the subject (for very fine performances can also be given by score-readers), here it was only natural to associate directly the special glory of the Janacek E minor Quartet performance that followed with its freedom from the printed page.

The work is like a mature Janacek stage drama taken down in the most economical shorthand by four alert string players. It would be hard to imagine a "production" of it in which there was combined greater emotional freedom, greater spontaneity of gesture and ensemble response, with more powerful sweetness and candour of ensemble sonority.

In the second part, with the Beethoven C sharp minor, Op. 131, the players achieved a similar feat. It's difficult to describe a performance of this work in which the music seems to be playing itself, in which the performers seem to have transcribed the score into sound rather than taken conscious decisions about its interpretation. This is always an illusion, of noble and quite special stamp, and it was one conveyed in full by this account of it.

Dance and jazz project for 1986

The Extemporary Dance Theatre and Westbrook Music Theatre will shortly begin work on a major collaboration, which will tour in the spring and summer of 1986. The project, the first-ever UK collaboration between a dance company and a jazz group.

The project will be choreographed by Extemporary's artistic director Emilyn Claid, with music by Mike and Kate Westbrook and designs by Jackie Gunn. It will be performed by eight dancers and four onstage musicians.

The project will be developed during rehearsals in December and January.

Arts Guide Oct 18–24

Opera and Ballet

PARIS

St John Passion: J.S. Bach's oratorio conducted by William Christie, produced by Pier-Luigi Pizzi, Les Arts Florissants, Paris Sorbonne's Choir. The Venice Fenice production presented by the Théâtre des Champs Elysées (7234777).

WEST GERMANY

Cologne, Opera: The television production of La Gazza Ladra is sung in Italian with Carlos Feller and Janice Hall in the leading roles. There are also performances of Turandot and The Magic Flute.

LONDON

Palladium, W. 1: Wayne Sleep's Hot Shoe Show opens on Monday for a season.

ITALY

Florence: Teatro Comunale: Gounod's Faust (original version) conducted by Reynald Giovaninei and produced by Luca Ronconi with scenery and costumes by Pier Luigi Pizzi, and Alberto Cupido as Faust, Samuel Ramey as Mephistopheles and Catharine Malfitano as Margherita. Sunday (2779236) At the Piccolo Teatro del Comunale a programme of ballets by the Maggio Musicale Florentino company (Sat, Wed). (2779236).

BRUSSELS

Soloists from the Bolshoi and Kirov Ballet companies with extracts from Swan Lake, Giselle, Spartacus. Forest National (Tue). (3459050).

NETHERLANDS

Amsterdam, Stadsschouwburg. Balanchine programme from the National Ballet: Concert Barocco, Monumentum pro Gesualdo, Movements for piano and orchestra, Tchaikovsky pas-de-deux (Dutch premiere), Symphony in C (Tue, Thur). (242311).

Scheveningen, Circus Theatre. Nederlands Dans Theater with Moves (Robbins), Love songs (Forsythe) and Ghost Dances (Bruce) (558800).

NEW YORK

New York City Opera (NY State): I Puritani features Faye Robinson singing Elvira, conducted by Edoardo Muller. The rest of the week includes La Traviata, Madame Butterfly, La Rondine and The Magic Flute. Lincoln Center (8705580).

Dance Theater Workshop: The season continues its Border Crossings programme with Marie Chouinard who gives the New York premiere of her work, Earthquake in the Heart. 219 W. 19th St. (9240077).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season begins with Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. The season also has in repertory Madame Butterfly with Anna Tomowa-Sintow in the title role conducted by Miguel Gomez Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti e I Montecchi, Die Meistersinger and La Rondine (3322244)

British Library reveals strategy to 1990

The British Library, in another move to establish its own identity and to detach itself from its current landlord, the British Museum, yesterday revealed a strategic plan for the years up to 1990. In the plan it confronts head-on the twin challenges of its move to a new home alongside St Pancras Station, and the revolution in information technology, which will transform its activities in the next 20 years.

The British Library makes the greatest demands on the arts budget because of its new building, which has received £92m for its first stage and which expects another £60m for a second stage: this is currently going through the Government expenditure plans for 1986-87.

The first departments will move to St Pancras from the British Museum in 1991 and in time users of the celebrated Reading Room will have to accept a new home in specialist accommodation on the Euston Road. The Reading Room will remain in use as a library for the British Museum.

Like every other arts organisation the British Library faces a cash crisis. It received £48¾m towards its running costs in 1985-86, and has been promised £49¼m for next year. But it has asked for £51¼m. A rise of just 2 per cent which means that it cannot afford to buy all the overseas books and journals it needs to ensure that it is the great databank of knowledge to service British industry, as well as the liberal arts.

It is already economising on staff, in addition to the cutbacks in purchases of foreign journals. The library has committed itself to maintaining free access to the Reading Room but researchers who make extra demands on its staff can expect to pay for their time in the future.

The British Library is playing a straight bat towards the Government. Its argument is that it is a very good investment, being the national depository of the scientific knowledge needed to enable the UK to compete with overseas competition. But it is also doing its best to maximise its resources.

It has just appointed Mr Michael Hilton as its first corporate marketing manager with the target of increasing by 5 per cent a year the proportion of its income the Library earns from the sale of its services (at the moment over £13m, or 21.5 per cent of its income, derived from the marketing of its knowledge). But if it does its best to inform industry of the information it has on offer the British Library expects the Government to do its part in increasing its grant by at least the level of inflation.

Antony Thorncroft

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A message to Pretoria

THE COMMUNIQUE on sanctions against South Africa, agreed by the governments of the members of the Commonwealth at their Nassau meeting, may seem a rather anaemic result after so many deys of heevy ergumeot, and *will undoubtedly* have disappointed those governments which were pressing for the imposition of really full-blooded sanctions. But the bare fect that the Commonwealth governments were in the end able to agree on a common text on such an emotionally charged issue is not a negligible achievement. The political signal it sends to Pretoria is unmistakable; and the process which has been leunched guarantees that the South African issue will remain *on* the egenda of the Commonwealth in formal terms for at least the next six months.

Judgment on the substance of the specific measures must depend on what results one believes sanctions can deliver. We have long shared the scepticism of those who doubt whether economic sanctions can, by themselves, *force* the South *African Government to* abandon its policy of epartheid; even a total econmic blockade might not echieve that. But some limited sanctions, partially targetted against the instruments of apartheid, may, in conjunction with the mucsh more important forces at work inside *South Africa*, exert *political* pressure on Pretoria to think again about reform.

Declaration

The specific measures agreed at Nasseu *are not particularly* dramatic, and many of them were already being epplied by individual Commonwealth governments. In Britain's case, the only important innovation would be the ban on the import of gold Krugerrands, of which the UK imports only ebont £500,000 worth a year. *But it* is far from clear thet this package of *measures* will be regarded as insignificant by the South Africans, and on this question theirs is the only judgment which matters.

It is not insignificant, for example, that the Comonwealth governments have adopted e text which is bound to be the starting point for all their future discussions. For the sake of Commonwealth unity, this text may fo rthe time being have conceded most to the anti-sanctions sentiments of Mrs Thatcher; but it is now almost a foregone conclusion that, without significaint reform in South Africa, the future will bring *further sanctions from* et *least* some Commonwealth countries.

The list of possible sanctions which will be np for consideration in six months' time is much heavier than those which have just been adopted, including the severing of air links and e han on imports of South African farm produce. President Botha's Government may take comfort from Mrs Thatcher's instant declaration that Britain (which has the greatest economic connection with South Africa) will not move on *to a second phase* of sanctions. But it cannot suppose that the question will go away just like thet, and it cannot fail to heve noticed that at Nessau even Mrs Thetcher was persuaded to move a small *step down the sanctions road.*

Symbolic

Indeed, it is questionable whether Mrs Thatcher is wise repeetedly to adopt categoric postures which she is then obliged, for the sake of international solidarity, to rescind. Her Government refused to agree a European Community package of very minor sanctions, even though it had been applying almost all of them beforehand; two weeks later, it fell into line with the decision to withdraw two military attaches from Pretoria. Naturally, she claims thet the new ban on Krugerrand imports represents only e "tiny" shift of position; hut it is e shift of substance.

The message that the Nassau communique should convey to Pretoria is that international *pressure for fundamental* reforms of South Africa's political system is steadily huilding up, and will probably go on building up as long as the disturbances end the killings continue. Sanctions so far epplied are more symbolic than real, but the symbolism of the political message is one essential ingredient in any sanctions policy; *the fact that* these sanctions are to be applied in unison by a large group of countries is another. Let Pretoria bear the message before it is too lete.

Unwelcome form of takeover

THE BID for *Allied-Lyons* by Elders IXL *of* Australia represents e new and unwelcome development on the British takeover scene. Elders, e recently formed conglomerate, is financing a hid for a company several times its size through a syndicated, short-term bank *loan led by Citicorp of* the U.S. Although the bid is in the form of cash, it has a lot in common with the so-called "junk bond" offers which have become commonplece in the U.S.

In a junk bond bid, shareholders are offered unrated, high yielding deht for their shares, rather than cash, and thus share in the risk created by turning a soundly financed business into e very highly geared one. In the present, bank *financed* bid, *the risk will* be born by the shareholders in Elders, but from the point of view of the financial system as a whole, the issue is just the same: the substitution for debt for equity on this scale makes the financial structure more fragile. Incidentally, e cash offer of this kind would causa quite e bulge in the broader measures of the money supply. Both on prudential and monetary control grounds, it eppears to be an issue in which the Bank of England ought to he taking an active interest.

Competition

Of course, this is an asset stripping operation, as such bids always are, and nobody has really tried to pretend *otherwise*. Elders has already made clear that it would intend to sell off Allied's food business, as well as equity stakes in its pubs, if the offer is successful. Although asset stripping got e bad name a little more than a decade ago, the history of conglomerate mergers is not so glittering that one would now oppose hidders who wish to deconglomerate. But the logic from the point of view of existing shareholders is less clear, since they are *not being offered the chance* to participate in the new *grouping*. *If* their assets are readily saleeble, they might well prefer that the sales were made on their own behalf.

Such questions, however, can safely he left to the markets. *Equally*, there seems no issue here for the Monopolies Commissions. The Government *has* sensibly decided that competition should he the most important factor in its merger policy, and no important competitive issues seem to arise in this case. The mere fact that Elders is an Australian *group* is no threat to the public interest, either; the fact that Australia would not permit such a bid for one of its own companies *will* no doubt be a useful propaganda point in the coming hid battle, hut Australia has not benefited over the years from its restrictions on inward investment.

Complication

However, the financial form of this bid does raise important issues. Every financial hubble in *history* has been caused by pumping new credit into asset markets, and the precedent established by this bid could hava extremely disturbing results. If every ambitious asset maneger with access to a *friendly* bank *seeking* to enter new merkets or to diversify its loan portfolio could mount highly geared bids of this sort, asset prices would quickly be inflated et a rate which would encourage more and more hidders to join in. The results of this in e nerrower market were evident in London in 1974, and both the growth of *credit and the* rapid *gearing up* of balance sheets in the U.S. at present ought to be a sufficient warning sign for an alert central bank.

The fact thet the bid is being financed entirely by non-British banks—perhaps because the home side would have been unwilling to offend so important a customer as Allied—may seem to complicate the supervisory question. But the participating hanks have important interests in London, and are presumably open to the same *forms* of gentle persuasion as their British *counterparts. This is not* to suggest that a single bid makes a case for the imposition of new rules or monetery targets—but it does raise issues on which the Bank of England should make sure that its views are known.

The search for a Middle East settlement

The key figures (left to right): President Reagan; Prime Minister Shimon Peres of Israel; King Hussein of Jordan; President Mubarak of Egypt; Yassir Arafat, the PLO leader; and Mikhail Gorbachev.

Back to the drawing board . . .

By Richard Johns

"ISRAEL has won" said Mr Shimon Peres triumphantly after tha planned meeting between Sir Geoffrey Howe, British Foreign Secretary, *and two members* of the Palestine Liberation Organisation's Executive Committee was called off a week ego.

Israel's Prima Minister was right. His country, after the recent turbulent events in the Middle East, has undoubtedly emreged triumphant in its fight *against recognition of the PLO* as the representative of tha 1.2m Arabs in the occupied territories and its role in any future negotiations.

The murder by Palestinian terrorists of three Israelis aboerd their yacht in Larnaca harbour last month could prove to be one of the most significant in the hloody history of tha region *over* the past four decades.

The retaliatory bombing of the PLO headquarters near Tunis six days later and the justification of it as a legitimate exercise of self-defence by President Reagan might in itself have been enough to heve *buried any moderation in the* PLO camp. The hi-jecking of the cruise liner Achille Lauro and the killing of an American passenger hy members of a *guerrilla group within* the fold of the "official" PLO loyal to Mr Yassir Arafat have more or less ensured that the PLO and terrorism are synonymous for Mr Reagan and the great majority of the American *public.*

The proposed London meeting would have been only a very small and tentative step in the so-called "peace process," a somewhat misty, eupbemistic ahstraction which refers to the continuing search for a Middle East settlement and acknowledges how hard *it* will be even to reach the point of starting *concrete negotiations.*

Britain had hoped that after exchanges between Sir Geoffrey and the Jordanian-Palestinian delegation, e statement supporting a peaceful settlement on the basis of UN Security Council *resolutions 242* and 338 and opposing violence as well as *terrorism*, *would encourage* Washington to he more flexible about PLO involvement.

In particular, the objective *was* to give a nndge to *the* plan originally proposed by President Mubarak of Egypt in *March for e dialogue between* the U.S. and a joint Jordanian-Palestinian delegation. This was designed to he e forerunner to negotiations on a settlement involving an exchange of "peace for territory" and the creation of a Palestinian entity in a confederal relationship with Jordan in line with the diplometic initiative launched by King Hussein and Mr Arafat in February.

The U.S. reluctantly agreed to such an exchange but it has been effectively stymied hy Israeli objections to participation by any Palestinian who might be regarded as in *any* way related to the PLO.

The *strategy* was that after meeting American officials, the PLO would formally recognise Israel's existence in a bid to overcome Washington's 10-year-old refusal to have any dealings with the PLO.

At the very least, the dehacle over the London talks at the eleventh hour was e matter of poor communication and con*sultations* by the *Jordanian* Government which assured the Foreign Office thet the two Palestinians in the joint team, Mr Mohammed Milhem and *Bishop Elia Khoury, had* both approved the text agreed with the British Ambassador in Amman four days earlier.

For the Israelis, the London fiasco was manna from heaven after the events of the preceding weeks. The fact that the Achille Lauro *hi-jackers* are *members of the faction* of the small Palestine Liberation Front in Tunis is incontrovertible and there can he no doubt about the complicity of Mr Mohammed Abbas, their leader.

But it is less clear—though perhaps irrelevant—whether Arafat personally knew and approved of the operation originally aimed at landing the *PLF men in Ashdod.* While he would not have objected, he must have been appalled by the outcome.

King Hussein considers the recent sequence of events as a very serious hiow to whet he sees as the last chance for the peace process. In London *last week he said* that he was "not encouraged" by his talks in Washington three weeks ago though there had heen some "slow progress."

In reality the Hashemite monarch has no choice but to continue his pursuit of e peaceful settlement, which he sees as vital for the future of his regime. As much as two-thirds of his subjects are Palestinians.

Either King Hussein or the PLO could annul their February accord, blessed hy the majority of the Arah League in Casablanca in August. But at this juncture, whatever the "historic responsibility" he feels for recovering occupied territory, King Hussein cen hardly contemplate reneging on his commitment to the resolution of the summit in Rabat 11 years ago which recognised the PLO es "the sole legitimate representative of the Palestinian people."

In his predicament the Monarch can herdly look for any effective support to an Egypt whose friendship with the United States has been seriously strained, first, by Israel's violation of *Tunisian* territory and then, more seriously, the interception *of* the airliner on which President Mubarak gave the ship hijackers safe hostage.

Whether or not be lied about the whereabouts of the hijackers before, politically [illegible] Mubarek had little choice in [illegible] matter. Far more than [illegible] Hussein, he has to [illegible] Islamic *fundamentalist* [illegible] lash.

Saudi Arabia, [illegible] having seen Washington [illegible] done the Tunis *raid*, [illegible] ponder further the [illegible] tha U.S. as a *friend and* [illegible]

Against this [illegible] President Reagan's [illegible] that the chances for [illegible] towards a peace settlement [illegible] better than they had been [illegible] some time, can only evoke [illegible] belief in Arab capitals, [illegible] in Amman, Cairo and [illegible] *The fundamental question* [illegible] mains who, apart from the PLO can speak on behalf of [illegible] Palestinians with any authority.

Increasingly, the Arab Governments are looking [illegible] next month's summit between President Reagan and the Soviet leader, Mr Mikhael Gorbachev. They hope that a rapprochement between the two leaders might lead to some kind of Soviet involvement and the eventual inclusion of Syria [illegible] another country whose satisfaction is ultimately required [illegible] e comprehensive settlement.

. . . but Washington has not lost hope

NOW IS ebout the time, *according* to the Reagan Administration's game plan, when a major new round *of* Middle East peace talks should have been getting underway. Arabs and Israelis would sit down at the *same table, the Palestinian* problem would finally he *seriously tackled,* and the inclusion of Jordan would end Egypt's isolation as the only Arah country prepared to make peace with Israel.

As the pessimists accurately predicted, it has not, or at least not yet, turned out like that.

The State *Department* admits that its efforts have been "complicated" by a rush of events that have included a resurgence of terrorism, the Israeli reprisal raid on the Palestine Liberation Organisatien headquarters in Tunis, the hijacking of the Achille *Lauro*, the spectacular U.S. mid-air *interception* of the hi-jackers, the subsequent row between Washington and Cairo and the ehrupt cancellation of a London meeting between Sir Geoffrey Howe, the British Foreign Secretary, and the two PLO leaders.

And yet *President* Ronald Reagan, after White House *talks with Mr Shimon Peres,* the Israeli Prime Minister, at *the end of last* week, maintained his characteristic optimism. "We have a better opportunity for real progress now than there has been for some time," he said, "and a better chance than we may have for some time to come."

Since early this year, the American hope has been that a combination of circumstances will open e "window" for progress this eutumn. They include *Mr Reagan's* freer hand as a second-term *President* and the still comfortable distance between now and the next U.S. elections. It is an article of faith in Washington that U.S. administrations cannot put pressure on Israel, or otherwise antagonise American Jewish voters, with an election approaching.

In the region itself, Washington believes that Israel is *most likely to show flexibility* during Mr Peres' stewardship, before he *hands over* to the much more hardline Mr Yitzhak Shamir next year.

In Jordan, King Hussein has duhbed 1985 the "Year of decision" and urgently wants progress to prove to his fellow Arabs that moderation can get results. He has now the added incentive of a proposed $1.9bn U.S. arms deal, *which Congress is most un*likely to epprove until it is *satisfied* that he is well on the way to—if not actually at—the negatiating table.

The Palestinians, at least those who live in the West Bank and Gaza Strip—the territory at issue — are thought by Washington to be increasingly keen on reaching an agreement *while* there *is* still time.

Even *before the latest* events, however, the way to the negotiating table had been barred by two major disagreements. On the first, *Jordan's demand* that *the* negotiations be held in the framework of an international conference, including the Soviet Union, there is some evidence of movement.

Washington now appears to accept some form of Soviet involvement, providing a formula can be found that prevents Moscow from wreck*ing the talks.* Israel *is* also relaxing its earlier opposition, although it would insist that Moscow first renew Soviet-Israeli doplimatic relations.

The second difficulty—the nature of Palestinian representation at the talks—goes right to the heart of the problem, as Sir Geoffrey's experience with the PLO underlined *last week.*

Israel and its many supporters in *Washington* argue that the PLO has now *definitely* ruled itself out of the negotiating process. They point to the PLO leaders' performance in London, backtracking on commitments to *recognise Israel's right to* exist and renounce violence, and to all the evidence, real or alleged, that the PLO is still actively [illegible] in terrorism — in [illegible] Lanro hi-jack, and [illegible] cent murders of Israel[illegible] Larnaca and Barcelona.

But King Hussein's whole move to the negotiating table is based on his February 11 agreement with the PLO, *which* includes the *Organisation* in the negotiating "structure." And hitherto *he has* made it clear that he can only pursue the risky path of seeking a deal with Israel with PLO support.

Egypt, which has played a vital part in promoting King Hussein's initiative, has long urged Mr Reagan to negotiate with the *PLO*. Now, *Cairo* appears to be seeking some sort of American *gesture* towards the Palestinians as its price for forgiving [illegible] forgetting the interception of its airliner. Not even the most ardent pro-Israelis in Washington want the devastating rupture with Egypt that appeared to be looming in the immediate aftermath *of the hi-jacking.*

U.S. officials believe that that danger has now receded and that the damage will not he permanent. Egypt [illegible] wants to end its isolation [illegible] bringing other Arab [illegible] into the peace process. [illegible] Hussein has said [illegible] keep trying, and [illegible] is still counting on [illegible] *public commitment* of [illegible] last [illegible] to move "promptly [illegible] directly" to the negotiat[illegible] table. But it now looks [illegible] more difficult than it [illegible] only a few weeks ago to [illegible] the crucial problem of [illegible] PLO's role, and Mr Reagan[illegible] domestic critics doubt th[illegible] depth of his commitment [illegible] doing so.

[illegible] Reginald Dale [illegible] Washington

Men and Matters

With a song in his heart

Australian entrepreneur, Robert Holmes á Court, is apparently not qulte such a hard-bitten husinessman as we heve been led to believe.

Analysts, who regarded him as a dispassionate student of the share register and the money market, have been surprised to discover that a streak *of sentiment emerged (briefly)* during his sale earlier this year of the Beatles' songs to the hiack American singer, Michael Jackson.

Holes á Court bad acquired Northern Songs, the Beatles' music publishing house, as part of the Lew Grade empire which he bought in 1982.

Jackson made his first approaches ebout a deal by telex in November last year. He offered $46m, outbidding his friend and former Beatle, Paul McCartney.

After six months' negotiations, however, Jackson's lawyer, John Branca, edvised his client that Holmes á Court's terms were unacceptable.

It was not the money. Holmes á Court, it seems, had asked that be should he allowed to keep e few Beatles' songs as future gifts to friends and relatives.

Did the tycoon, already a major collector of contemporary art and recently *named* as Australia's richest man, want to keep All You Need Is Love up his sleeve?

Or perhaps it was When I'm 64, to give to his wife, Janet, on the eve of their retirement? We shall never know.

Jackson rejected the request, and after a short break in the negotiations, Northern Songs was eventually sold to him for $48m, yiaiding Holmes á Court an unsentimental profit of around $37m.

"So it boils down to no trade fairs, no krugerrands and no tinned fruit at the Co-op"

Dallas memoirs

Bryan Cowgill, the man who gave up the managing director's job at Thames Television *over the Dallas affair,* is *not the* sort to stay idle or silent for long. No sooner bad be recovered from the withdrawal symptoms of running the largest ITV company than he set to work on his memoirs.

Cowgill, who began his 30 years in television at the BBC on the day that the ITV transmitters were switched on for the first time, has a contract with a major publisher. The book, which no doubt will be read with keen interest at the IBA, *is* due for *publication* next autumn.

Cowgill has been turning e hlind eye to the blandishments of new media barons such as Rnpert Murdoch and Robert Maxwell until be gets his book finished.

It won't be a whingeing book, Cowgill emphasises. But there is likely to he e heartfelt chapter on Dallas, and what he sees es the anti-competitive collusion between the BBC and independent television over programme purchases from the U.S.

The end of that particular chapter cannot be written yet. *The Office of Fair Trading* is still investigating and the BBC is still *negotiating* with the oil industry saga's distributors World Vision.

But the smart money is starting to plia up in support of a deal that keeps Dallas at Thames—which would lend a touch of irony to an already racy tale.

High notes

After Sainsbury'e £20m for the National Gallery, comes another Sainsbury's endowment of £1m for the Royal Opera House, Covent Garden.

But this time, the *Sainsbury* is a more reclusive figure than the high street grocer. Mrs Jean Sainsbury inherited her millions from her father who made them from advertising. Now aged 60, she has decided to commemorate the many happy nights she has spent at Covent Garden with e gift to the hard-pressed institution.

The interest from the endowment will finance a new opera or *ballet* in one *year, and some* refurbishment of the Opera House in the next.

Just bow much Covent *Garden will* have availahie to spend will depend on its investment acumen, but the cash should certainly ease the financial crisis which has forced it to cut back on new productions in recent years.

Mrs Sainsbury is no lover of avant garde; her money is to be devoted to new interpretations of the classical repertoire.

Her Covent Garden nights began back in 1946 when ahe heard Elisebeth Schwarzkopf in La Traviata. She is still e regular attender, and will no doubt be hoping that Sir John Tooley, Covent Garden's chief administrator, will be successful in persuading Placido Domingo to reconsider his decision to ebandon the opera houses for a year while singing charity concerts for Mexico.

Domingo is hooked for six gala performances of Otello in January which, by coincidence, are set to raise £100,000 for the Opera House—roughly the sama amount that it can now expect from its surprise bequest.

Page proof

A new Press baron is expected to emerge this week — none other than the Lord Chancellor, Lord Hailsham, who et the age of 78 is well into his second peerage.

His department is lennching a new magazine, to be called Your Court, to inform a wider eudience aboot its hitherto low-profile work on behalf of the *judiciary, the courts, and the* administration of justice.

Your Court is aiming at the popular middle market, so we can expect lots of pictures of jolly, *bewigged* judges.

Hailsham, expressing soma surprise et finding himself a publisher so late in life, has penned a note of good wishes for tha venture.

But with all those lawyers around, it would have been a miracle if there had not been some argument over the new publication—and there was.

Not everyone liked the title, Your Court. Other suggestions included The Woolsack — on which Hailsham sits—Court in the Act, and Ber Wars.

Post script

The village postman was telling his mates in the *local* pub about the difficulties of his joh. "Up on that new estate, where *all* the nobs live, they've got two little brushes in their letter slots," he said. "I suppose it cleans the mail before they touch it."

Observer

Letters to the Editor

Regulation of dealers

From the President, ELB Associates

Sir,—I do not believe the London Stock Exchange should concern itself over the regulation of dealers. The Exchange'e job is to maintain standards of commercial honour and integrity among its members and promote and assure just and equitable principles of trade and business in the securities listed and traded on the exchange. It should have no jurisdiction over business done outside the exchange, whether it be in obligation or equity. To give it such jurisdiction would be to give it a monopoly beyond its competence and purview.

Any regulating to be done should be through an association of securities dealers answerable to a governmental body. In this case, the Securities and Investment Board. But such an association should be self-regulating; setting standards for dealer membership, trading rules, investor protection and general ethics. As far as I know, the only group that comes close to this is the National Association of Securities Dealers and Investment Managers (NASDIM). Such an association should bave jurisdiction over all securities dealers, be they members of the Stock Exchange or not. And all dealers should be obliged to be members of such an association in order to obtain a licence to trade. This would have a tendency to rid the industry of the unqualified, marginal broker dealers, commonly known es "bucket shops" or "boiler room dealers." Further, such an association would then have the option of creating an electronic quotation and trading system. It should be free to analyse and choose tha best system available.

But I go beyond merely thinking of the UK. I believe, because of the curreot internationalisatinn of the securities markets, such an association should be on, at least, a European level. There should be created a Europe-wide association of securities dealers that would regulate members thronghout Europe. Of course this association wonld have to adhere at least to tha minimum standards of the codes of escb country. Such would have a tendency to smooth out differences in national trading practices and eliminate market fregmentation, at tha same time broadening tha liquidity pool.

Eugene Schulman.
29, Coulouvreniere,
1204, Geneva.

Stock Exchange out of date?

From Mr N. Mullan

Sir,—We are constantly reminded of the fast-changing nature of today's financial markets.

Has anyona therefore considered wbether a long-established body such as the Stock Exchange, formed to cater for a totally different environment, should be allowed to survive, let alone bave regulatory euthority, in tomorrow's markets?

N. J. R. Mullan.
59 Limes Gardens, SW18

Sir Nicholas's nightmare

From Mr S. Jones

Sir,— Sir Nicholas Goodison's nightmare (October 18) of a fragmented securities market may well become a sad reality.

Tbe international security dealers bave already indicated their desire to set up a regulatory organisation which would be independent of the Stock Exchange.

And who can blama them? It is all very well for the Stock Exchange to adopt a cosmetic protectionism stance but if strong concerted action is not taken pre the big bang Sir Nicbolas Goodison may find that he has little to protect come the "fallont" period.

As a private investor I am deeply concerned at the enormous amount of in-action. If there is to be a unified regulatory body combined with a non fragmented securities market then favourable terms will have to be offered to the institutions.

The Stock Exchange may bave its doors partly open, the financial institutions however would probably say that they are partly closed, if not shut completely.

I have always done my "shopping" at the Stock Exchange. I therefore hope I shall not have to change over to [illegible]

Stepben Jones.
Crossroads Cottage,
Groeswn, Cardiff.

Planning and land prices

From Mr P. Rowley

Sir,—Regarding your recent correspondence concerning high land prices in England, I am an English landowner who visits the Midlands several times annually for a total of about three months. Your writers miss one of the most essential reasons for the expensive price of industrial and residential land. This is the local government planning system.

District council planning offices so restrict the supply of land with planning permission thet prices inevitably escalate. My experience is that most local civil servants like to see land prices rise, and their bosses, the elected councillors are usually reluctant to interfere with their civil servants' decisions. The bureaucrats are full-time paid "experts," wbereas the local politicians are unpaid and afraid of making a mistake. One chief planning officer recently remarked to me on how pleased he was that industrial land had reached a new high in his area. In addition, far tha individual to appeal against a district planning decision is an expensive and risky proposition.

Besides any desire to benefit their districts, the local planning offices are motivated by money and power. The higher the price of land the greater the government tax, which eventually increases the salaries and perks of the civil servants. The more difficult it becomes to obtain a planning permission, raising the price of land, the more powerful are the local planning officers and tha more subservient to them are the landowners seeking their approval.

The solution is to weaken the power of the local civil servants and strengthen the rights of individuals to obtain planning permission on their land. Further, more power should be given to the actual community affected by the particular planning permission rather than to the far larger districts which currently control planning over a wida area. Then the price of industrial and residential land should fall.

Peter Rowley.
815, Park Avenue,
New York,
NY 10021.

Car excise evasion

From Mr T. Whittle

Sir,—The letters by G. R. Wettley, director, and Clive G. Williams, chairman of the trade union aide, at the Drive and Vehicle Licensing Centre, Swansea (October 15), predictably read like vested interests seeking to preserve jobs.

As long ago as 1982, when the licence fee was £70, raised to £80, known evasion amounted to £174m a year. It would be reasonable to assume that detected evasion now amounts to over £200m e yaar and this is perhaps only half of the iceberg. We do not know tha true figure, but evasion is obviously relatively easy, the £100 fee being an incentive to evade and to steal the valuable disc. Perhaps Mr Wattley will give the latest estimate of true evasion.

Mr Williams says that in 1984 the recovery of back duty and fines was £18.25m. Contrast this with evasion in excess of £200m and the cost of 900 "not particularly cost effective" enforcement staff at Swansea DVLC (Public Accounts Committee 1984). Allowing for police time, Post Office commission and administration, the Chencellor might save £500m a year by simply transferring the licence fee to existing fuel tax. Given no overall increase in yield, there could not possibly be any "refuelling" of inflation. Goods vehicles need not be affected and high mileage motorists "in the shires" could be given some tax relief (out of the saving) as for company cars.

Of course, high mileage motorists in motoring associations will object. If we have to pay in motoring taxes three or four times the expenditure on roads, the only fair way is according to fuel usage—as it is consumed.

All the requirements for effective registration could be more efficiently met by an annual MoT test for all cars. The top copy could go to Swansea and an MoT "roadworthiness" disc attached to tha car so that it is destroyed if removed. Who better than MoT approved garages positively to identify cars?

There is no case for taxation by licence and private car excise is a prime example. May the Chancellor sensibly abolish it and transfer Swansea people employed on evasion to other work. The police (and courts) already bave more orgent and important work.

Thomas E. Whittle.
19 Kildoon Drive,
Maybole, Ayrshire.

New base for economic theory

From Mr D. Double

Sir,—I understand that in receot times it has become the fashion to sometimes measure economic progress or decline in terms of Mars hars.

In connection with this theory may I bring to your ettention the effect of a rather drastic increase in the price of e well-known brand of chocolete from 20p to 30p, as purveyed in vending machine at Waterloo Station, this 50 per cent additional charge is apparently justified by a rather smaller percentage increase in its size.

What mainly concerns me, however, is not only the serious consequences to the retail price index, but what may happen if some other school of economists decide to use this confection as a base for their future estimates.

The Draconian fiscal and other measures that our Government might deem it necessary to introduce, to rectify the economic projections that their calculation could produce, must surely cause a shudder of apprehension to be felt by all but the most hardened of your readers.

D. A. Double,
8, Allendale Road,
Earley, Reading.

Healthy manufacturing industry

From Professor C. Voss

Sir,—Last Tuesday the House of Lords select committee on Overseas Trade's report on the causes of the UK balance in trade in manufacturing was pnblished. It made many assertions on these causes and recommendations for action. Despite the fact that these recommendations deserve serious consideratioo, the Government went out of its way to prepare a statement trying to belittle the report.

Why is it that a report that shonld lead to vigorous and constructive debate has to be "sat upon"? Building a healthy manufacturing industry is a too serious topic to be subject to this treatment. No matter bow well thought the government's strategy for manufacturing, tbeir reaction can only lead to a sense of immense frustration and unease among those concerned with the promotion of a healthy manufacturing industry in the UK.

(Professor) Christopher Voss.
University of Warwick,
Coventry.

Undesirable to be rich?

From Mr D. Fagandini

Sir,—In commenting on the report on overseas trade, Samuel Brittan (October 17) may well be justified in his belief that there are some experts who really do know the economic facts of life and that he is one of them.

What these apologists of our decline always omit to explain, however, is why it is so undesirable to be rich and successful industrially. Are those of us who see the FDR and Japan as gaining influence through wealth earned from manufacturing, quite misguided? Are, in fact, those comtries on the wrong course? Are the strivings of the French to emulate them simply pathetic examples of mistaken endeavours?

D. A. A. Fagandini.
6, Alleyn Park, SE21.

No faith in the market

From Mr K. Smith

Sir, — Whatever one's views about the precise recommendations of the Aldington Committee, it is certainly the case that Samuel Brittan (October 17) misidentifies the issues of theory and policy addressed in the report.

Arguments concerning tha importance of manufacturing for the UK economy need not rely on some quasi-Physiocratic assertion of its primacy. Nor should structural changes, and manufacturing decline, simply be assigned to a changed "final mix" being preferred by customers. In an open economy changes in structure can result either from changes in the composition of demand, or from changes in trading patterns. No conclusions about the structure of final demand can be drawn simply from an observed change in the share of manufacturing in output. Domestic demand for manufactures can rise while domestic output falls, and this is what has happened in Britain.

The importance of manufacturing derives neither from defective theory nor romantic nostalgia, but from a realistic assessment of Britain'a trading prospects as net oil exports declina. Tha time-scale of this is uncertain, and I would be inclined to accept Mr Brittan'a estimates. But it will happen, and the effects nn the external balance will definitely begin to be felt over the next five years. If, as seems likely, there is no sustained net capital inflow, than the exchange rata will adjust downward. Will this antomatically produce increases in non-oil exports?

Tha report of the British Invisible Exports Council (October 14) suggests few grounds for optimism about services. As for manufacturers, as Samuel Brittan points out, there appears to be relatively littla spare capacity, considering that output is so low and unemployment so high. We should remember that, *pace* Mr Leon Brittan's rebuke to Aldington (that manufacturing investment is up 39 per cent), net manufacturing investment is negative and has been since 1981. The capital stock is falling and the possibility of output growth depends entirely on wbether or not technological progress is being embodied in replacement investment. It is difficult to say what is happening to the technological level of UK manufacturing, bnt manufacturing R&D has fallen in the 1980s in real terms. In a trading environment where non-price competitiveness is of great, perhaps paramount, importance, these facts must cause disquiet. Of course exchange rate depreciation will lead to some increase in manufactured exports, but it seems extremely unlikely that this will happen on anything like tha required scale. Does this, bowever, justify intervention?

Throughout Brittan's critique of Aldington runs an entirely unjustified faith in the capebilities of the market mechanism. I readily agree with Brittan that the justification for intervention depends on whether the tasks involved are part of the "agenda of government," that is, tasks whieb would otherwise oot be carried out at all. Growth in manufacturing requires major R&D and investment programmes in the very near future. Can we rely on the market to generate appropriate signals and decisions here?

Naither economic theory nor empirical observation give any grounds for believing that markets can or do make afficient allocations wbera futnre—especially distant future—decisions are involved. The main reason is that, for markets to guida long-term decision-making, there would have to be a range of contingent and futures markets whicb do not in practice exist. Firms are not necessarily tha best institutions for this, and this is why successful economies tend to be characterised by some form of governmental or non-governmental co-ordinating institution; Japan's MITI is merely the most powerful, and most successful, example. These considerations suggest that Brittan's assertion that a price- and market-led adjustment is "indeed what will happen" is untenable.

Keith Smith.
University of Keele,
Keele, Staffs.

Accountancy and law as careers

From Mr A. Badenoch

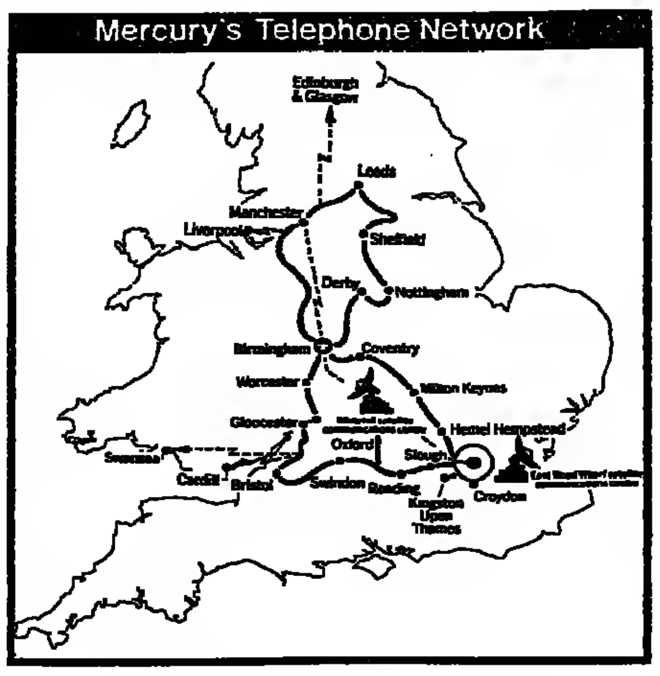
Sir,—I refer to an article in Observer (October 16) headed "Archer's downfall" where it is stated that he, Archer, feels that too many bright young graduates are in his view opting for easy careers in accountancy and law.

I served my articles and qoalified with an international firm of accountants and apart from running a business I also run a dining club for 27 contemporaries.

Of these, 40 per cent are running their own businesses, 21 per cent are partners in firms of accountants, 21 per cent are either partners or directors of stockbrokers or merchant banks, 18 per cent are in senior line accounting or management position in commerce or industry and one is teaching the Aborigines English.

Better researcb would show that firstly accountancy is hardly an easy career and secondly, appears to provide an above average breeding ground for entrepreneurs.

A. B. Badenoch,
Badenoch & Clark,
16-18 New Bridge Street, EC4.



UK telecommunications

A long-distance charter for competition

By Jason Crisp

THE DAYS of easy and uncomplicated telephoning are numbered. From next spring there will be an alternative to Britisb Telecom for trunk and international calls. As e result tariffs may change, some telephone calls will require seemingly endless strings of numbers, and some will need strange bleepers.

Many long distance calls will be cheaper but local calls will go up and so will the cost of renting a BT telephone line. Tbe main beneficiaries will be busioesses with high telephone bills such as international banks and multinationals. Among probable losers are residential customars who do not make meny calls.

The green light for full competition between the two licensed telepbone network companies—BT and the newcomer Mercury—was given last week by Professor Bryan Carsberg, director general of the Office of Telecommunications, the regulatory body.

Oftel has determined the exact rules by which the two networks are linked in a complex and legalistic 89-page document, after six months of fierce debata. Its ruling is a landmark in Britain'a telecommnnications and is very favoureble to Mercury which is expected to be highly profitable and have annual revenues of over £300m by 1989.

The ruling is intended to stimulate as much competition as possible for BT without causing serious damage. It may yet be the subject of court action.

Tbe competition which should result will far exceed that first proposed by the Governmant in 1981 when Mercury, then e joint venture between BP, Cable and Wireless and Barclays Merchant Bank, was established.

With the Governmenl's blessing Mercury has grown more ambitious. It is now a wholly owned subsidiary of Cable and Wireless, an experienced telecommunications operator with almost all its business overseas.

The interconnection of the two telepbone systems is necessary because it would be inefficiant, uneconomic and indeed downrigbt impossible for a competitor to dnplicate the BT network with 21m exchange lines constructed over decades. The ruling will mean that any customer on one network can call anyone on the other and that they can choose which will carry their call.

Mercury bas nearly completed a trunk telephone network in England—with a link to Scotland—shaped in a figure of eight from London to Bristol, Birmingham, Manchester, Liverpool and Leeds. It is using optical fibres which can carry huge volumes of telephone traffic and will shortly instal its first exchanges.

At the moment Mercury leases point-to-point telephone lines to companies for their internal communications. Tbe first dialled calls will begin in April, marking the start of full competition.

Most peopla who will use Mercury will be connected to its network not by a direct exchange line but by using an ordinary BT telephone. In practice this means that most calls which Mercury carries will start and end on the BT network.

As much of BT's local network is antiquated and none of it was designed to be connected with a competitior, there will be several snags about using Mercury. Customers will first have to dial the Mercury network which will require either three or nine digits. To identify themselves as subscribers they will then have to dial probably six more digits before dialling the number they want wbich will be between nine and 14 digits, giving a worst case of 29 digits.

These problems are not quite as bad as they might appear as many modern private exchanges can be programmed to do a substantial part of the process automatically. But it will still take longer than using BT. Mercury is expected to sell a telephone which will automatically dial its network and identify subscribers.

Mercury's main — possibly only — edvantage over BT will be its charges. BT makes huge profits on long distance and international calls which it uses to subsidise line rentals and local calls. Not only is there considerable room for Mercury to undercut BT but it also has moch lower overheads and benefits from using the latest technology whicb is cheaper.

Mercury bas yet to reveal by how much it plans to undercut BT bnt it is likely to be between 10 and 20 per cent during the day. BT is expected to respond, althougb both may be keen to avoid a prica war.

If it is to reduce its trunk and international call prices, BT will bave to put them np elsewbere. It has elready had a row witb Oftel for hinting that prices for small residential rentals could go up.

BT has several options but it is also bemmed in by its commitments and potential political problems. The biggest constraint is its licence whicb restricts the increases for most inland calls to a maximum of 3 percentaga points below the annual increase in the Retail Price Index. The BT prospectus contained a pledge that it would not increase residentiel exchange line rentals by more than 2 per cent over the RPI.

One response for BT would be to rebalance its tariff structure faster than it is already doing. That means local calls would go up even more. The aim is to remove cross-subsidies within the network so that prices are in line with costs.

But there are other ways in which this might be done. For instance, all over Britain rentels and call rates ere tha same. However, some arees are more profitable than olbcrs. Generally speaking, rural parts and the Greeter London call area district — where a local call covers up to 40 miles — are less profitable than other towns and cities.

BT has alreedy hinted that it may bave to reconsider the promise to limit the increases in residential line rentals in the light of Oftel's rules on how mucb Mercury will pay for interconnection.

It could also follow a trend whicb has already started in the U.S. as a result of competition and charge different rates in different areas.

Oftel will certainly be keen to pounce on BT if it puts up charges, as one of its roles is to police its pricing.

Oftel's argument is that Prof Carsberg took BT's commitment on rentals fully into account when be determined the prices for interconnection. These prices may well become tbe centre of a dispute. BT is to ask Prof Carsberg, currently on holiday in India, bow he arived at them.

Mercury is initially going to aim for the lucrative business market. But within a year of starting the dialled service it expects to begin selling to residential telephone users as well. MCI, the leading long-distance competitor for American Telephone and Telegraph in the U.S., has more residential customers than businesses.

But, in any case, the reverberations of Oftel's decision are likely to be felt by all telephone users even if they would never dream of using an alternative to BT.

FINANCIAL TIMES

Tuesday October 22 1985

HIJACKING AFTERMATH RAISES UNWELCOME QUESTIONS IN CAIRO

Egypt displays anger with U.S.

BY TONY WALKER IN CAIRO

THE U.S. and Egypt appeared yesterday to take a step towards smoothing over differences that arose from the forcing down of an Egyptian aircraft carrying the four hijackers of the Italian cruise liner Achille Lauro. But it seemed that Cairo was seeking a substantial gesture from Washington – possibly a U.S. agreement to go ahead with a meeting between American officials and a Jordanian-Palestinian delegation as a means towards opening direct Arab-Israeli talks.

Details, Page 4

"WE DONT want your dollars," read one slogan in the recent spate of anti-American rallies in Cairo protesting against this month's forcing down of the Egyptian aircraft carrying four hijackers of the Italian cruise liner Achille Lauro.

The events of the past several weeks have been an unpleasant reminder of the extent of Egypt's dependance on U.S. largesse. The question for many Egyptians is not *whether they want U.S. assistance* but what would they do without it.

Government officials and business leaders are anxious that the fallout from the Achille Lauro affair is not allowed to damage commercial relations. But they recognise that there is genuine public anger. A major concern is to make sure that these protests do not develop into mass action against the Egyptian Government itself.

"The U.S. is very shortsighted," Dr Ahmed Showki, a chartered accountant and vice-president of the American Chamber of Commerce in Cairo, said. "What they did to Egypt is to affect the political stability of the country as a whole."

President Hosni Mubarak's own criticism of U.S. "piracy" reflected apparent determination not to be outdistanced by popular outrage. Opposition parties and sections of the press have demanded a firmer stand against the U.S. For Mr Mubarak and his advisers the fact is that, *whatever their disappointment*, reprisals would be counterproductive from Egypt's standpoint.

In just one decade since former President Anwar Sadat wrenched Egypt away from its close links with the Eastern bloc, U.S.-Egyptian relations have mushroomed. Total U.S. assistance jumped from just $21.3m in the 1974 U.S. fiscal year to $2.3bn in 1985.

Except for concessionary credits for grain purchases under the U.S. PL-480 programme, almost all funds are allocated as grants (military assistance was converted totally to grant aid this year), spread between a multitude of programmes ranging from a new sewerage system in Cairo – the largest civil engineering project in the world – to assistance in family planning.

There is no other potential source of funds of such magnitude that Egypt could possibly hope to draw on and still it is not enough. In the past year, Cairo has been seeking additional U.S. support to help cope with deteriorating economic circumstances and, in particular, to help it to meet commitments on its military debt, which is in arrears.

On the first of two visits to Washington this year, Mr Mubarak requested an extra $865m to help Egypt fulfil its five-year development plan. He was allocated an additional $500m spread over fiscal years 1985 and 1986.

Since 1974 Egypt has received $17.4bn in grants and soft loans, most of that coming in the years since the signing of the Camp David accords in 1978, following the Sadat visit to Jerusalem in 1977.

The money has gone into modernising Egypt's armed forces, tackling a debilitated infrastructure and in helping to feed an Egyptian population that has reached at least 48m and is growing at a rate of 2.7 per cent.

Egypt, from being a net exporter of agricultural products a little more than a decade ago, now imports 50 per cent of its food requirements.

Food grain imports are in the order *of 60 per cent to 70 per cent of* Egypt's needs. The U.S. supplies more than a half of this under various programmes ranging from outright gifts to commercial arrangements entered into by Egypt's Ministry of Supply. In calendar 1984 Egypt's wheat, flour and maize imports totalled almost 7m toones, 3.8m of which came from the U.S.

Egypt is America's second largest export market in the Middle East after Saudi Arabia. In 1983 U.S. exports totalled $2.8bn against imports of $303m, mostly petroleum products.

According to a U.S. Embassy report, *$1.8bn of the $2.8bn exports* to Egypt were funded by U.S. assistance disbursements.

Of this, $714m was under the foreign military sales programme; $270m from concessionary PL 480 loans; $565m in grants in connection with U.S. aid projects and $302m in grant balance-of-payments support as Egypt acquired capital goods and bulk commodities such as corn or coal under the Commodity Import Programme (CIP).

Craxi in talks on re-forming 5-party coalition

By James Buxton in Rome

SIG BETTINO CRAXI last night held his first talks with Italian party leaders in his attempt to form a new government, after receiving a mandate to do so from President Francesco Cossiga.

He is expected to try to recreate the five-party coalition which collapsed last week because of internal differences over the handling of the Achille Lauro ship hijack affair. The Government fell because the Republican party, led by Sig Giovanni Spadolini, the Defence Minister, pulled out of the coalition.

He did so in protest at the release by Sig Craxi of Mohammad Abu Abbas, the Palestinian leader, claimed by the U.S. to have masterminded the hijack of the liner. Abu Abbas was on the aircraft taking the *hijackers out of Egypt* which was forced down in Sicily by U.S. fighters.

Sig Craxi said yesterday that the political crisis he was trying to resolve "could turn out not to be easy to solve." It would be necessary, he said, to reach agreement between the political parties both on matters of foreign policy – the issue that sparked off his previous government's fall – and on internal affairs, including the economy.

Nevertheless, the view of most observers in Rome is that the crisis is a good deal less bleak than it appeared when Sig Craxi resigned

For one thing, all the five parties in the outgoing coalition – the Cristian Democrats, Socialists, Republicans, Social Democrats and Liberals – now favour the reconstruction of this alliance.

More important is the *fact* that Italy and the U.S. have now mended their relations which were seriously strained by the Achille Lauro affair, thanks to the mission to Rome at the weekend of Mr John Whitehead, the U.S. Deputy Secretary of State, who took Sig Craxi a friendly personal letter from President Ronald Reagan.

The improvement in relations has been achieved without Sig Craxi having to give any ground, despite the unusually tough words he used about the U.S. in his resignation speech last Thursday. This strengthened his position compared *with that of Sig Spadolini.*

The Republican party is at present without allies among the other parties *which made up the last government*. It is, therefore, likely to come under increasing pressure to sink *its differences* with Sig Craxi and lend its support to a new coalition.

Although Sig Spadolini has said he also favours the recreation of a five-party coalition, he knows that the Republicans' share of the vote, although relatively small, is crucial to creating a stable administration.

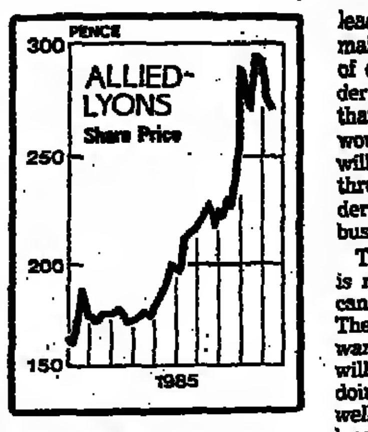
A four-party coalition without the Republicans would have a very narrow parliamentary majority.

The negotiations over the coming few days are, therefore, likely to be intense. They will also be interrupted by Sig Craxi's visit to New York for President Reagan's meeting of the leaders of major industrial powers which takes place on Thursday.

It was Sig Craxi's threat not to attend this meeting that made the U.S. Government hurry to patch up its relations with Italy.

THE LEX COLUMN

No partners for Matilda



The *launch* of Britain's *first* multi-billion pound leveraged takeover turned out to be a bit of an anti-climax. No household names have subcoribed to the offer and the terms are almost exactly as foreshadowed in early September.

If Elders expected that the addition of 5p per share to its initial figure of 250p would generate any enthusiasm, it will have been *disappointed*.

This is an unusual bid in every respect, and almost nothing can be *taken for granted*. For example, while the indentity of the target is clear, the identity of the *bidder* is not. The offer is being made in the name of IXL, a specially-created vehicle in which Elders IXL has an interest of just over 20 per cent. The majority of IXL is held by the consortium banks which are lending Elders so much money and the balance by companies friendly to the Elders cause.

Elders will presumably argue that this structure is a mere technicality, since it can exercise call options over the equity in IXL, and a subsidiary of IXL, which it does not *already own*. That is not the point. Yesterday's statement left the clear impression that Elders was making the *bid, which it is not and* will *not* unless it exercises the options.

The purpose of this unusual strategem is to keep *Allied-Lyons* off the Elders balance sheet until the debt accumulated in the takeover has been paid down to a respectable level.

What Elders shareholders think of this is their own affair. But it is odd, to say the least, for a company to acquire a company very much larger than itself and then treat the acquisition as an unconsolidated investment on its balance sheet.

It is odder still for a bid to be made by a company of which the beneficial ownership is obscure. The matter of who owns IXL might almost have been overlooked if the offer had been straightforward in most other respects. But, as the UK's first highly leveraged takeover, it will inevitably attract an unusual amount of scrutiny.

Elders is certain to fail at this price and no doubt recognises the fact. It is presumably hoping to sound out the Office of Fair Trading with a sighting shot and leave itself with more time to tempt in prospec*tive buyers of the food division.*

Now that the consortium approach has been abandoned, Elders will not be able to secure control of Allied without building up a level of debt which would be unacceptable to shareholders of a UK company.

The fact that Elders is not a UK company does not substantially alter the argument. Even allowing for a *reduction* in debt through asset disposals and the release of equity in the tied estate, it is fair to con*clude that Elders' gearing will leave* Allied – and its employees – with a more precarious existence. To justify that risk, *Elders needs to supply* more convincing management arguments than it has marshalled to date.

BP's banking

British Petroleum's announcement that it is to restructure $6.5bn of short-term credit lines will hardly add oil to the troubled waters of commercial banking. Not only will BP be able to borrow money at much lower rates, with a possible *saving of around ¼ of* a percentage point; it is also doing much of the banks' job for them. Its own bank is *leading* the deal *and* is *asking 90* commercial banks to bid not just for the paper but also for the fees they are willing to accept to underwrite and distribute the notes. So BP is taking the concept of a tender panel one stage further than usual – banks now have to determine the fee income they are willing to sacrifice in order to maintain a relationship with such an important client.

The commercial banks are understandably upset. All those who went for "safe" fee income rather than lending margins after the debt crisis must now feel that there is no obvious business in which they can make money. *They must also* be worried that more corporate treasurers will now want to follow BP's lead. If the banks really [illegible] maintain their margins, they [illegible] of course, rebel and refuse [illegible]der. But *they know perfectly* that any attempt at forming [illegible] would fail: for every bank [illegible] willing to join, there must be [illegible] three more who are prepared [illegible] dercut their competitors [illegible] business from a valued [illegible]

The banks may complain [illegible] *is not playing the game*, [illegible] can hardly blame the [illegible] There seems no reason [illegible] *wanting* to retain the banks [illegible] will – for BP to pay them a [illegible] doing business that it can [illegible] *well do for itself. But they* [illegible] least take comfort in the [illegible] only a few of their clients [illegible] *able to bypass them in such* [illegible] BP has what it takes – [illegible] size credibility, low [illegible] in-house bank – and not [illegible] companies can say as much.

Macy

The way Macy slashed its [illegible]gins in the quarter to August [illegible]mayed many Wall Street observ[illegible] who found a 48 per cent drop [illegible] income hard to swallow. [illegible] may not be all that much [illegible] with Macy now that the [illegible] quarter deck-clearing [illegible] turns out to have been the pre[illegible] to a $3.5bn buyout – which [illegible] per share seems to value Macy [illegible]self a long way above the bar[illegible] basement.

Indeed, the offer seems to [illegible] all the marks of current Wall S[illegible] fashion. It is pitched nearly 50 per cent above the market, represent[illegible] something like three times book value, and probably pushes the price right up to the limits of what *buyout models would reckon* as a leverageable proposition.

Assuming that Macy can haul itself back to match its trading results of 1984 the gross interest burden on its proposed new capital might still soak up something like three-quarters of cash flow.

With the inside information available to management the bidders no doubt have in mind a list of disposable assets – probably headed by its under-performing chain of stores in the Midwest. They must also have a better idea than any alternative bidder what recovery in earnings to expect. If $70 does not prove a knock*out* blow, against all the odds, Macy's management will have achieved the sale of the century.

Receiver appointed at Edgley Aircraft

By Lynton McLain in London

EDGLEY AIRCRAFT of the UK, manufacturer of the Optica observation aircraft, has been placed in the bands of receivers at the request of the company's directors.

The company makes the slow moving Optica aircraft, which has a glass bubble fuselage, for observation duties usually *carried* out by more expensive helicopters.

The future of the 270 staff at the *Edgley Aircraft factory in former* Royal Flying Corps hangars at Old Sarum, Salisbury, Wiltshire is likely to be decided today when Mr Christopher Barlow and Mr Martin Iredale, chartered accountants from the receivers, Cork Gully, decide on the short-term future of the company.

"My objective is to find a buyer for the business and assets as a going concern and, to this end, I am contacting interested parties as a matter of urgency," Mr Barlow said yesterday.

Mr Barlow believes the Optica project can be viable. He would not discuss the background to the decision by the directors of Edgley Aircraft to instruct Lloyds Bank, its bankers, to call in receivers.

It is understood that undisclosed high development costs, the length *of time the Optica* has been under development – about 10 years – and concern about the ability of the company to sell the Optica, may have combined to undermine the confidence of investors and bankers in the project.

"There are about 46 aircraft in various stages of manufacture and there are firm orders for 16 and potential orders of up to a further 100 aircraft," Mr Barlow said.

This compares with forecasts by Mr John Edgley, the chairman and managing director and the designer of the Optica, that he expected 2,000 Opticas to be sold in the next 10 years to civil aircraft users alone.

Edgley Aircraft announced in February, when the Optica gained its certificate of airworthiness from the Civil Aviation Authority, that it had equity capital of £3,047,850 ($4.35m). The main shareholders included some directors and almost a dozen City of London institutions and investment trusts.

The company's merchant bank, J. Henry Schroder Wagg, which helped win institutional support for the company, said last night that the company was now out of its bands. *The bank* made *no further* comment.

Dream venture grounded, Page 7

Independent UK miners' union likely to gain more support

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

BRITAIN'S newly-formed independent Union of Democratic Mineworkers, (UDM) a rival to the National Union of Mineworkers (NUM), yesterday scored three early successes.

Daw Mill in Warwickshire, one of the country's most productive pits, is to ballot on affiliating to it with certainty among its miners' officials of a yes vote.

Mr Albert Wheeler, the National Coal Board's Nottinghamshire area director, said that the board would only recognise the "duly elected representatives" – which means the UDM officials.

In Durham, the breakaway Colliery Trade and Allied Workers Association, which claims some 1,600 members, voted by a 98.2 per cent majority to affiliate to the UDM – an expected result but with a higher than expected majority.

In further developments:

- The NCB announced the closure of St John Colliery in South Wales and is set to announce the closure of Bates and Horden pits in the north-east of England today. All three have been waiting for a final decision on negotiations on a revised colliery review procedure – the board's decision to close the pits seems to mark its intention to preempt any further such negotiations.
- The Trades Union Congress (TUC) finance and general purposes committee, its "inner cabinet," decided yesterday to seek a meeting with the full NUM executive, to de*termine* whether the TUC might have a role in repairing the mineworkers' dismity.
- The three trustees of the NUM, proposed by the NUM to take back charge of the union's finances, said they were prepared – subject to legal advice – to pursue a £1m ($1.4m) claim against the three national leaders of the NUM, instituted by Mr Michael Arnold, the court-appointed receiver of the union's funds.
- In a separate case, the Court of Appeal reserved judgment on the appeals by two Welsh miners serving life sentences for the murder of *a taxi driver during* the pit strike. Lord Lane, the Lord Chief Justice, said the case raised difficult and important issues and no immediate decision could be given.

The UDM's stated intention to push its boundaries beyond those of Nottinghamshire and South Derbyshire has been boosted by the decision yesterday of officials at Daw Mill to hold a ballot on November 4 of the 1,200 miners on affiliation to the new union.

Mr Gus Johnstone, the branch delegate, said that the vast majority of miners wished to join the UDM and that many hundred of miners in other Warwickshire pits would also join. He expected the UDM to be the majority union in Warwickshire in three months time.

If the ballot showed a yes vote, the pit would initially affiliate to the South Derbyshire section of the UDM, then set up a separate Warwickshire section. A ballot in the pit *last month showed* a 77 per cent majority in favour of such a move in principle.

The South Derbyshire section begins independent pay talks with the National Coal Board today.

Mr Arthur Scargill, the NUM president, last night called Mr Wheeler's intention to recognise only the UDM A "clear violation" of the 1947 Nationalisation Act. He said the issue had been referred by the union to the industry's national reference tribunal.

Mr Scargill said: "This latest attack against our union by Ian MacGregor (the NBC chairman) proves the coal board's support for the breakaway, which has been created to smash effective trade unionism. It will not succeed."

The TUC's decision to intervene in the steadily worsening split appeared to gain cautious approval from Mr Mick McGahey, the NUM vice-president and a member of the TUC "inner cabinet."

Peter Riddell, Political Editor, in London writes: Mr David Steel, the Liberal Party leader, yesterday said he would be prepared to meet the UDM leaders.

In a message to local Liberal parties in the East Midlands, he said he hoped thet "the new union will develop a healthy relationship with all parties, and will not continue along the damaging path of a single-mined association with just one party, which is backing the trade union movement into a corner with the Labour Party."

Coal price rise, Page 9; Closure reviews, Page 11

BP to set up $6.5bn facility

Continued from Page 1

short-term securities in the Euromarkets and in the U.S. commercial paper market, rather than through direct borrowing from its bankers as in the past.

Such refinancing of credit has grown common in the Euromarket this year, although not on the large scale envisaged by BP.

Its proposal has presented its bankers with the invidious choice of either having to abandon their relations with BP entirely or accept a steep fall in their earnings from doing business with the company.

Therefore BP's plan has not met with much enthusiasm so far, although the consensus *yesterday* was that the deal would get done since few of the banks asked to bid *will want to forgo the chance* of doing future business with a customer of such size and status.

UK dictates extent of action against Pretoria

Continued from Page 1

month. Some names have already been *canvassed*, such as President Julius Nyerere of Tanzania, M Pierre Trudeau, the former Canadian *Prime Minister*, and Mr Malcolm Fraser, the former Australian prime minister. But so far those names are no more than suggestions.

Although the South African Gov*ernment has yet to respond* to the proposal, a commentary on the state-controlled radio – which usually reflects officials thinking – was scathing.

A critical point was reached at the Commonwealth meeting on Sunday evening after Mr Rajiv Gandhi, the Indian Prime Minister, *and Mr Brian Mulroney, his* Canadian opposite number, who were acting as negotiators for a larger group of countries, told Mrs Thatcher that *she risked* a *split* in the Commonwealth

In the end, the British Prime *Minister accepted* what are generally regarded as minimal, if symbolic, additional economic mea*sures, but only in return for* a declaration that the Commonwealth would try to initiate a dialogue between *the Pretoria Government* and black community leaders "in the context of a suspension of *violence on all sides.*"

That particular paragraph was considered an essential feature of the *accord* by *Mrs Thatcher.* "*I feel* very strongly indeed that we should do all we can to help end the violence in South Africa, because negotiations are not likely to succeed in an atmosphere of violence."

Allied-Signal hit by oil unit disposal

By Terry Dodsworth in New York

ALLIED-SIGNAL, the U.S. aerospace and industrial products group formed by a large-scale merger earlier this year, announced a sharp fall in earnings in the third quarter but said the decline was due mainly to Allied's divestment of a 50 per cent stake in Union Texas Petroleum in July.

The sale of the oil and gas subsidiary holding was part of a *strategy* which led to the agreement with Signal, a move which has created *one of the 10 largest manufacturing* groups in the U.S. The divestment brought in $1.4bn in cash, helping finance the acquisition of Signal and reduce debt.

In the third quarter, however, only $12m of Signal's earnings were included because the merger was completed towards the end of the quarter. In the meantime, the loss of earnings from Union Texas depressed group results by more than $30m, or 29 cents a share, leading to a drop in net income to $95m, or 83 cents, against $128m, or $1.30, in the same period of last year. Sales amounted to $1.9bn against $2.6bn in 1984.

Mr Edward Hennessy, chairman, said the newly-amalgamated group was moving to increase per share earnings by stock repurchases and by a "*significant streamlining* of our businesses."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	19	66	Dubrovnik	R	16	61	Malaga	F	24	75	Salzburg	S	9	48
Akrotiri	S	24	75	Faro	S	22	72	Malta	F	18	64	Seoul	C	17	63
Algiers	F	25	77	Florence	C	15	59	Manila	S	33	91	Singapore	R	30	86
Amsterdam	S	12	54	Frankfurt	S	12	54	Miami	C	29	84	Stockholm	S	11	52
Athens	S	20	68	Funchal	F	24	75	Milan	S	16	61	Strasbourg	S	11	52
Bahrain	S	30	86	Geneva	C	9	48	Moscow	F	9	48	Sydney	S	18	64
Bangkok	S	32	90	Gibraltar	F	23	73	Munich	S	9	48	Taipei	C	28	82
Barcelona	F	21	70	Guernsey	S	15	59	Nairobi	—	—	—	Tangier	S	26	79
Beirut	S	21	70	Helsinki	S	11	52	Naples	R	16	61	Tehran	—	—	—
Belgrade	C	13	55	H. Kong	C	25	77	New Delhi	S	32	89	Tel Aviv	S	25	77
Berlin	S	12	54	Innsbruck	S	12	54	New York	F	9	49	Tenerife	S	25	77
Biarritz	S	20	68	Inverness	C	14	57	Nice	S	21	70	Tokyo	S	19	66
Blackpool	F	13	55	Istanbul	S	18	64	Oporto	S	19	66	Toronto	C	0	32
Bordeaux	S	19	66	Jersey	S	15	59	Oslo	F	15	59	Tunis	F	23	73
Brussels	S	13	55	Jo'burg	S	26	79	Paris	S	13	55	Valencia	S	22	72
Budapest	C	11	52	Las Palmas	F	24	75	Prague	S	5	41	Venice	S	16	61
B. Aires	C	25	77	Lima	C	19	66	Reykjavik	R	9	48	Vienna	S	12	54
Cairo	S	27	81	Lisbon	S	21	70	Rio de J'o	C	31	87	Warsaw	C	9	48
Cape Town	—	—	—	Locarno	S	14	57	Rome	F	19	66	Zurich	C	6	43
Caracas	R	27	81	London	S	14	57								
Casablanca	S	23	73	Los Angeles	C	16	61								
Copenhagen	C	12	54	Luxembourg	S	10	50								
Corfu	F	21	70	Madrid	S	16	61								
Dublin	S	15	59	Majorca	F	23	73								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Elders offer rejected

Continued from Page 1

Allied, which is advised by S. G. Warburg, said 255p a share was "ludicrously inadequate" and would even deprive shareholders of their interim dividend.

It complained that the ownership of IXL was not clear and that the offer was accompanied by a large number of conditions enabling Elders' to withdraw at will.

Sir Derrick Holden-Brown, chairman of Allied, said the offer was "a complete non-starter and smacks of failure. Mr Elliott has failed to put together a consortium and he has failed to get the backing to make a bid that *might succeed.*"

Mr Elliott said some other unnamed companies had wanted to join a consortium but Elders' had decided *to proceed alone* since the potential partners had not put any higher price on Allied's assets.

He said that, *if Elders won*, it would retain Allied's brewing and wines and spirits divisions and sell its J. Lyons food interests as going concerns to specialist food companies.

The British Government has yet to decide whether to refer the bid to the Monopolies Commission. Mr Elliotts said he saw no reason for a referral, since Elders would increase competition in the brewing industry.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday October 22 1985

Mack to cut Allentown output with new plant

BY PAUL BETTS IN PARIS

MACK TRUCKS, the U.S. beavy-duty-truck maker, which is 40.6 per cent owned by Renault, plans to close its manufacturing facility at Allentown, Pennsylvania, and replace it with a plant, to be completed by the middle of 1987.

The effect will be a reduction in capacity at Allentown from about 100 trucks a day at the present plant – built in 1926 – to 70 trucks a day. The company believes it will be able to save $80m a year before taxes with the new facility.

The restructuring and investment plan led to a $70m pre-tax provision in Mack's third-quarter accounts, which showed a consolidated net loss of $64.5m compared with net earnings of $24m in the same period the year before.

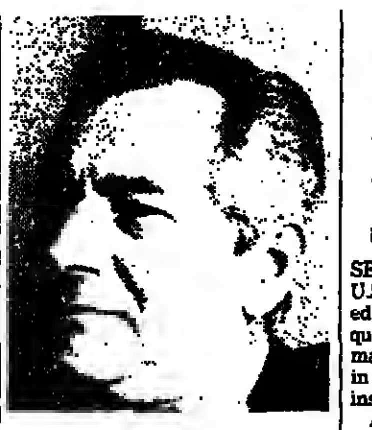
Apart from the Allentown facility, which is at present producing nnly 52 trucks a day because of the recessinn in the U.S. lorry market, Mack has another plant in Pennsylvania and another in Canada.

Renault is continuing to bank on its relationship with Mack to develop products for the U.S. market. The French state-owned truck maker is marketing its new FR-1 coach in the U.S. througb Mack, with the Midliner range of medium-sized trucks.

The French group's Renault RVI division is still losing money but at a lower rate than last year. First-half losses at RVI totalled about FFr 800m ($99m) compared with FFr 1.2bn in the first half of 1984. The group is expecting to lose about the same amount in the second half.

Separately, the Peugeot-Talbot division of the private Peugeot car group said it envisaged reducing 9,000 jnbs over the next three years to improve productivity. That would bring down the division's total workforce to about 81,000 people in three years' time.

M Jacques Calvet, chairman of Peugeot, said recently that the group, including the Citroën car division, would shed about 10,000 jobs this year and would have to continue making workforce cuts averaging 3 to 4 per cent a year in coming years.



M Jean Riboud

Former oil group chief dies

By Our Paris Staff

M JEAN RIBOUD, who stepped down only a few weeks ago from the chairmanship of Schlumberger, the Franco-American oil services and electronics group, died yesterday of cancer at the age of 85.

A close friend and industrial affairs adviser to President François Mitterrand, M Riboud was one of the few Frenchmen ever to have worked his way to the top of a hig mnltinational company based in the U.S. During his 20 years at the head of Schlumberger – which earned $724m on sales of $4.89bn last year – he is credited with having built it up into an expertly managed company that achieved world leadership in its field. He diversified Schlumberger away from its base in oil services by taking over Fairchild, the Californian semiconductor pioneer.

Born into a Roman Catholic Lyons banking family, M Riboud always regarded himself politically as left-wing. He was close enough to M Mitterrand to be considered a strong candidate for the post of Industry Minister wheo M Jean-Pierre Chevènement resigned in 1983. The following year he was tipped as a contender to succeed M Pierre Mauroy as Prime Minister.

Always discreet and eveo a secretive man, M Riboud survived deportation to Buchenwald during the Second World War for his activities in the French Resistance. During his long business career on both sides of the Atlantic, he also found the time to pursue intellectual and artistic interests.

Sears profits slip after insurance unit setback

BY WILLIAM HALL IN NEW YORK

SEARS, ROEBUCK, the biggest U.S. retail group, yesterday reported an 18.6 per cent drop in third-quarter net income to $262.2m, primarily because of a sharp downturn in the profits of its Allstate insurance group.

Allstate, which was established by Sears in 1931, suffered a 39 per cent slide in third-quarter income to $128.9m, partly because of the effect on claims levels of burricanes Gloria and Elena, which cost the company $33m after tax. In addition, the comparable 1984 figures for Allstate were boosted by a one-time $60m tax credit.

Sears, which boasts that three out of every four U.S. adults shop in its stores at least once a year, reported that the profits of its merchandise group, which accounts for close to two thirds of its $40bn a year revenues, rose just $3.1m to $166.9m in the latest three months.

Mr Edward Telling, Sears' chairman, said the results "reflected a deceleratinn in the growth of personal income and soft economic conditions in a highly competitive marketplace."

He noted that the beginning of Sears' 100th anniversary celebration next mnnth "is a decided plus as we enter the all-important Christmas season." The retailing giant was introducing a number of products in the coming months that would focus attention on its innovation and "traditional stengths of value, quality and selection."

Reveoues of the Sears merchandise group in the third quarter rose from $6.46bo a year ago to $6.50bn in the latest three months. For the first nine months of 1985 Sears merchandise's operating profits were 17 per cent down at $381.2m on revenues marginally ahead at $18.37bn.

Sears' recent expansinn into areas outside its traditional retailing base still show little sign of earning the sort of returns which would make its management bappy. The Dean Witter financial services group reported a third-quarter loss of $7m, compared with a loss nf $7.6m a year ago. The latest results include a $2.1m loss related to the introductinn nf the Discover credit card.

For the first nine months of 1985 Dean Witter had net income of $9.3m which compares with a loss of $28.8m a year ago. Revenues totalled $2bn, up from $1.83bn in the first nine mnnths nf 1984.

Sears' Coldwell Banker property group produced income of $34.7m compared with $4.6m a year ago but the figures are inflated by the sale nf a shopping centre. Sears Wnrld trade lost $3.3m against $7m a year ago.

For the first nine months of 1985 Sears, Roebuck's net income is 18 per cent down at $751m and revennes are 4 per cent ahead at $28.65bn. The group earned 71 cents a share in the latest three months.

Beatrice rejects $4.9bn buyout bid

By Terry Dodsworth In New York

BEATRICE, the U.S. food and consumer products cooglomerate, with goods ranging from fruit juice to cosmetics, has rejected a $4.91bn takeover bid, calling the proposal "inadequate and not in the best interests of the Beatrice sbarehnlders."

Despite the rejection, the tone of the board's remarks left Wall Street convinced that the company was inviting a bigher bid from Kohlberg Kravis Roberts (KKR), the investment group mountiog the $45-a-share offer.

In early trading yesterday, the shares fell back a little but even after a decline nf $¾ in extremely heavy volume, the price remained above the nffer at $45¾.

There is no indicatinn so far of an alternative nffer coming from an outside source.

KKR, a New York group whicb specialises in leveraged buyouts – deals in which funds borrowed for an acquisitioo are secured on the assets of the target company – is believed to be working with Mr Donald Kelly, the fnrmer chairman of Esmark, another former food conglnmerate, on the Beatrice buyout.

Probe ordered into AEG share deals

By John Davies In Frankfurt

THE FRANKFURT Stock Exchange is looking into suggestions that there may have been "insider trading" of shares in AEG, the electrical concern, before the announcement that Daimler-Benz was seeking a majority stake.

The stock exchange said yesterday that a committee would make prelimioary inquiries and, if there appeared to be grounds for suspicion, it would investigate the individuals concerned and seek access to their records.

The AEG share price rose sharply before trading in the share was suspended oo Friday, October 11. Details of Daimler-Benz's plans were disclosed on the following Monday.

The suggestion that there may bave been insider trading was made by the Association for the Protection of Shareholders, a group which acts in the interests of private stock market investors. In a letter to the Frankfurt exchange, it asked for an investigation extending back to May.

Herr Edzard Reuter, Daimler-Benz's finance chief, has stressed that Daimler bought no AEG shares oo the stock market. Nor had banks connected with Daimler or AEG been involved in such transactions, he said.

Daimler has acquired a 24.9 per cent stake in AEG by subscribing to an increase in AEG's capital and has offered to buy further equity at DM 170 ($65) a share.

The consortium of bank shareholders in AEG has indicated that it will sell enough shares to give Daimler a majority, if the takeover is approved by the Federal Cartel Office in West Berlin.

Just before its stock market trading was suspended on October 11, AEG's shares were being quoted at DM 181. At the beginning of this year, AEG was changing hands at just over DM 100 but has risen substantially in the last few months.

In West Germany, insider trading is a delicate area covered by a code of practice – not a legal statute. Insider trading is defined narrowly.

Falling oil price hits Amoco at 9 months

BY OUR NEW YORK STAFF

AMOCO, one of the biggest and most profitable U.S. oil groups, yesterday reported an 18 per ceot drop in third-quarter net income to $490m, mainly because of the impact of falling oil prices and foreign exchange losses.

Mr Richard Morrow, Amoco's chief executive, said the downturn was partially offset by improved results from downstream (refining and marketing) operations which were helped by strong margins on petrol sales for most of the quarter.

The group's domestic exploration and production operations earned $218m in the latest three months, down from $260m a year ago. Foreign exploration and productioo operations earned $135m in the third quarter, about $101m less than the corresponding figure a year ago. The group's worldwide refining and marketing operations earned $102m in the third quarter, compared with $65m last year.

Amoco earned $1.87 a share in the latest three months against $2.14 a share last year. For the nine months earnings fell 9 per cent to $1.56bn or $5.91 a share.

Occidental Petroleum was able to report a 150 per cent jump in third-quarter net income to $381.7m after taking a $243m after-tax gain on the sale of half its Colombian operations to the Royal Dutch/Sbell group.

Dr Armand Hammer, the 87-year-old chairman of Occidental, says that while the reduction in crude oil prices continues to have an effect on the industry overall, he was particularly pleased that the group had been able to report significant improvement for the quarter and the year to date.

The group's oil and gas earnings for the latest three months, which were boosted by the Royal Dutch/Shell disposal, rose from $195.8m to $328.2m. The group's chemical operations increased their third-quarter profits from $16.1m to $21.3m and agribusiness earnings jumped from $2.9m to $27.8m. The coal business moved from a $1.1m loss last year to a $15.6m profit in the latest three months.

Occidental's nine-month net income is up by 67 per ceot

Ashland Oil earned $46m in its fourth quarter, compared with a net loss of $241m in the final quarter of 1984. For the year the group earned $147m or $4.12 a share, compared with a loss of $172m or $7.40 in fiscal 1984.

Benefit of falling dollar slow to affect pharmaceutical groups

BY TERRY BYLAND IN NEW YORK

PHARMACEUTICAL stocks eased on Wall Street after two big companies reported that the fall in the U.S. dollar has not yet helped to improve results from overseas operations. Unfavourable exchange rate fluctuations took $21m off sales at Bristol-Myers in the third quarter, while currency translation had a "negative impact" of $15m on international sales of Smithkline Beckman in the same period.

At Bristol-Myers, which takes nearly a third of sales and profits from outside the U.S., net earnings increased by 12 per cent to a record $149.9m, or $1.09 a share, said Mr Richard Gelb, chairman. Sales, also a record, jumped by 10 per cent at $1.2bn, with international sales up 8 per cent and domestic sales 11 per cent higher.

Fnr the nine months, the group has pushed earnings ahead by 13 per cent to $400.5m, or $2.91 a share, while sales of $3.3bo show a 5 per cent increase.

In fiscal 1984, Bristol earned $472.4m, or $3.45 a share, on sales of $4.2bn. Wall Street hopes to see earnings rise to nearly $4 a share this year, helped by the group's introduction of oew drugs.

At Smithkline, net earnings improved from $129m to $131.6m in the third quarter, with share earnings 5.6 per ceot up at $1.69. Sales gained 9.3 per cent to $820.7m. The company expects foreign excbange factors to be favourable in the final quarter if the dollar remains at its present level.

For the nine months, earnings are a mere $1.8m up at $384.8m, or $4.89 a share, on sales of $2.4bn against $2.2bn.

Fiscal 1984 brought net earnings of $500.3m, or $6.19 a share, at Smithkline oo sales of $2.9bn.

Market shares of Tagamet and Dyazide, Smithkline's two best selling drugs, maintained market shares in the ulcer and blood pressure markets, in the face of increasing competition.

Rio Tinto to expand mine

RIO TINTO-ZINC Corporation's 49 per cent-owned Rio Tinto Minera is to embark on a Pta 6bn ($37.2m) expansion of its precious metal operations at the Minas de Riotinto mine in Huelva Provioce, southern Spain.

The expansion, which will double the annual treatmeot rate of gossan (oxidised) ores to 5m toones, will allow gold production to be maintained in the face of falling ore grades and will almost double output of silver.

Pirelli shows $39.4m profit at six months

BY ALAN FRIEDMAN IN MILAN

PIRELLI, Italy's leading tyre and cables group, yesterday announced an aggregate net profit of $39.4m in the first six months of this year, higher than the $37m expected by analysts and contrasting with $32.3m in the first half of 1984.

The profit was struck on $1.7bn of first-half turnover from operating companies in 18 countries. For the whole of last year, Pirelli's aggregate net profit was $72.2m oo $3.5bn of turnover.

Sig Jacopo Vittorelli, managing director of the Pirelli SpA holding company, which controls 46 per cent of group subsidiaries, also revealed that Pirelli had paid FFr 10m ($1.2m) to acquire a 15 per cent stake in Velec, a French electronic components business operating in opto-electronics. This acquisitioo fits in with Pirelli's strategy of supplementing its cables business (43 per cent of group turnover) with applied systems in data transmission. Other recent share acquisitions by Pirelli in this sector include David Systems and Litel in the U.S. and Focom Systems in the UK.

Pirelli's aggregate turnover of $1.7bn in the first half was down slightly oo the first half of 1984.

In Italy, the Industrie Pirelli operating subsidiary, which accounts for 30 per cent of group turnover, is expected this year to better its L14bn ($7.8m) net profit of 1984.

Union Carbide polyethylene unit to be sold

By Bernard Simon In Toronto

UNION CARBIDE of the U.S. is to terminate production of polyethylene in Canada as part of previously announced plans to improve its financial performance.

The company's 75 per cent-owned Canadian subsidiary said yesterday that it was looking for a buyer for its 195,000 tons-a-year plant at Sarnia, Ontario, the centre of Canada's petrochemical industry.

Another plant in Mootreal, leased to the state-owned petrochemical company Petromont, is unaffected.

The decision reflects the high cost of domestic feedstocks and low petrochemical prices. Total Canadian polyethylene capacity is about 1.2m tons a year, but demand is running at only about half that level. The Sarnia plant is operating at about three quarters of capacity and the company has suffered "severe" losses from its polyethylene business for the past four years.

Union Carbide Canada has taken a C$96m (U.S.$70m) write-off in the third quarter, representing part of its polyethylene assets and further operating losses until the Sarnia plant is sold. The company posted a loss of C$102.7m after this charge on sales of C$474.6m in the nine months to September 30.

Mr Norman Kissick, Union Carbide Canada's chairman, said the large write-off should put the company in the black.

CIT mandates $200m facility

CIT FINANCIAL, a finance company which is a subsidiary of Manufacturers Hanover, has mandated Morgan Stanley to arrange a $200m facility under which the borrower will be able to back U.S. commercial paper and issue Euronotes through a tender panel.

The five-year credit has a facility and front-end fees of 10 basis points each, a utilisation fee of 10 basis points if the credit is more than half drawn and a margin of 12½ basis points over London interbank offered rates.

Bouygues nets $17m

BY DAVID MARSH IN PARIS

BOUYGUES, the French construction group, has announced a 5.8 per cent increase in first-half group net profits to FFr 138.4m ($17.2m), compared with FFr 130.9m in the first six months of 1984.

Depreciation charges for the first half rose 8 per cent to FFr 217m.

The company said group turnover for the whole year would rise about 4 per cent from 1984 to FFr 25.7bn, with net profits also rising above last year's level of FFr 452m for the overall group.

Last year, group net profits rose by 34 per cent, with the proportion attributable to the parent company increasing 21 per cent. The likelihood of slower profits growth in coming years has spurred Bouygues to decide a number of diversification moves out of the troubled construction sector.

Revival in demand for Canadian paper

BY MAGGIE URRY IN LONDON

THE EURODOLLAR bond market was overshadowed yesterday by activity in the Canadian dollar sector. Two new issues were launched, following three last week.

Yesterday's borrowers were Bank of Montreal with a C$75m seven-year deal led by Union Bank of Switzerland (Securities) and Montreal Trustco with a C$50m five-year deal led by Orion Royal Bank. New issue managers say there has been a revival of demand for Canadian dollar paper among retail investors in Europe.

Bank of Montreal is paying a 10¾ per cent coupon with a par issue price. Montreal Trustco is offering a higber margin over Canadian Government bond yields with an 11 per ceot coupon and a 100¾ issue price. Both are non-callable and pay fees of 1¾ per cent.

BHF Bank bond average

Oct 21		Previous
104.550		104.548
High	1985	Low
105.603		99.840

In the Eurodollar market investors are still suffering a lack of direction. However, traders reported demand for recent issues by such well-liked names as Sweden and J.P. Morgan.

Credit Suisse First Boston launched a $125m floater for MCorp Financial, a Texas-based banking and financial services group. The 12-year bonds will pay interest semi-annually at ⅛ per cent above six-month London interbank offered rate, with the rate refixed monthly. There is also protection against a downward-sloping yield curve. Fees totalled 85 basis points and the bonds, which are non-callable for three years, were trading around the 40-basis-point selling concession.

The D-Mark Eurobond market is also quiet, with dealers seeing neither buying interest or selling pressure. Asfinag, the Austrian road-financing body, launched a DM 200m 10-year deal led by Dresdner Bank. This has a 6¾ per cent coupon and par issue price. The bonds were trading around 98¼, inside the 2½ per cent fees.

The same borrower saw its SwFr 150m 12-year deal start official trading at a disappointing level, closing at 98¾ compared with the par issue price. Tha coupon is 5¼ per cent. The Swiss franc foreign bond market is feeling the weight of new issues and prices fell by ¼ point oo average.

The French franc market has the benefit of an informal new issue calendar and the latest issue for Banque Française du Commerce Extérieur met a good trading response around the 100¼ issue price. The FFr 500m five-year issue has a 10⅝ per cent coupon, lower than other recent issues. Lead manager is Société Générale.

● Chemical Bank International has appointed Mr Paul Walsh as executive director in charge of sales and trading. He comes from Hill Samuel and brings with him Mr John Campbell and Mr Tony Marshall.

International bond service, Page 31

INTL. COMPANIES & FINANCE

Singapore property still in decline

By Chris Sherwell in Singapore

THE PRESENT decline in Singapore's commercial property market is not likely to bottom out before 1987, according to local estate agents and property developers, and remains a key factor behind the island state's currently depressed economic condition.

Figures to be published shortly by one agent, Chestertons Lim Oh, point to an excess supply in all the major sectors of the commercial market—office, retail, industrial, warehousing and hotels—right through to 1988 and beyond, with peaks in 1986 and 1987.

Other agents agree with this assessment and say prices and rents, which have fallen further in 1985 after sliding in 1984, look set to continue weakening. Office occupancy rates have fallen from 93 per cent in 1982 to 83 per cent this year, and are projected to slip to 75 per cent in 1987.

The trend has been one of several domestic factors contributing to the dramatic economic slowdown now engulfing Singapore. After 8.2 per cent growth in gross domestic product for 1984, it expects zero or negative growth in 1985—the worst in 20 years. Some building projects have been halted, most have slowed down, and new projects are a rarity.

Significantly, government agencies have caused the *oversupply* of office space as much as private developers. During 1985 and 1986, at least seven new government office buildings will be completed in Singapore, *constituting* almost one-third of the additional supply of office space coming on the market.

Although the Government has acted to prevent at least one other such building going up—for the Ministry of Labour—the others have gone ahead and the marketing of newly completed buildings is faring poorly. In one case, the Singapore Labour Foundation is said to have sought the Government's help in filling half of a two-tower complex.

The outlook in retailing is just as bad because of the stagnation in tourist arrivals, a major source of retail demand. The trend is not helped by the strength of the Singapore dollar. Marketing of retail space in the massive Marina Square and Raffles City complexes(due to open next year, is certain to prive difficult.

On the other *hand*, *hotels* facing record low occupancy levels in 1985 are acting to counter the problem of room oversupply. Rates are being discounted heavily, making Singapore more attractive once again as a regional destination for tour operators, and two hotels have actually lowered their published rates, an unusual occurrence. A third plans to shut several floors.

Over the past year the Government has sought to ameliorate some of the difficulties facing private developers. It has allowed a 35 per cent extension of time for completion of Urban Redevelopment Authority (URA) projects, a three-year moratorium on repayments of land premiums due to the URA, a 20-point cut (to 50 per cent) in the charge levied on the enhanced value of development land, and a rebate for 8 months in property taxes.

In addition, the Government has committed the URA to no further land sales for a least two more years, which should mean that five years will pass from the last sale in 1982. It has also formed a special consultative committee under the Ministry of Finance, with representatives from both the private sector and the Government.

Tokyo membership seen for six foreign brokers

BY YOKO SHIBATA IN TOKYO

MR JOHN PHELAN, chairman of the New York Stock Exchange, said yesterday he was confident that the Tokyo Stock Exchange would grant membership to as many as five or six foreign securities houses as part of its planned expansion of seats to 93 from the current 83.

These would be the first non-Japanese brokers to become members ofthe Tokyo exchange.

Mr Phelan was speaking in Tokyo during a five-day visit to discuss the further opening of the TSE to foreign securities houses and to promote round-the-clock trading of world-scale stocks.

The TSE decided in September to expand its membership by ten seats, and set the membership fee for each at Y1.1bn ($5.1m), paving the way for foreign participation.

The exchange yesterday began to accept applications. Eight Japanese houses and ten from abroad have expressed their intention to apply for membership. Among the latter are understood to be six U.S. brokers — Merrill Lynch, Smith Barney, Salomon Brothers, Goldman Sachs, Morgan Stanley and First Boston—with the remaining four, all from Britain, being Vickers da Costa, Jardine Fleming, S. G. Warburg, and W. I. Carr and Sons. A decision by the TSE is due next month.

Mr Phelan did not disclose on what information his confidence was based, saying only: "I am known as an optimistic person."

He is a keen advocate of 24-hour trading, and stressed the need for co-operation among the stock exchanges in London, Tokyo and New York in view of the trend towards integration of world financial markets. He said the recent decision to extend trading hours by opening the NYSE 30 minutes earlier each day was a signal to domestic U.S. investors as well as markets in London and other European centres that a new era has arrived.

Because of Japan's geographical position in terms of international time zones, floor markets would be fully developed among the Japanese, London, and New York exchanges in five to 10 years, he said. "What all three of us have to work out is better clearance and settlement so that it does not matter where those stocks are traded."

In July the TSE, in reply to a query from the Securities and Exchange Commission of the U.S., said it was reluctant to take measures to promote 24-hour trading, at least for the time being. It gave as the reason the likely increase in transactions outside the stock market, resulting in collapse of the TSE's market concentration rules, under which all TSE member companies are required to bring all orders for listed stocks to the market.

Improvement at Japanese supermarket chains

BY OUR TOKYO STAFF

JAPAN'S six leading supermarket chains have achieved substantial profit improvements in the half-year to August, despite a slowing in sales growth.

The advance was attributed to efficiency measures which succeeded in reducing inventories, thus curbing operating costs. These have included computerised point-of-sale means of monitoring demand, allowing individual outlets to carry a far lower level of stocks.

Apart from Dai'ei, the largest, the groups all expect these streamlining measures to produce record profits in the current full year

Sales of the six rose by 4.6 per cent overall to Y2,344bn ($10.9bn) with a strong performance in clothing sales largely offset by a decline in food turnover.

Despite their modest growth in sales, both Ito-Yokado and Seiyu managed to report a double-digit rise in profits, thanks largely to the introduction of more efficient management systems. Ito Yokado reduced inventories by using point of sales computer data to monitor demand, while Seiyu—which was in the red the previous year — swung back into profits by cutting inventories by 10 per cent using its total quality control system.

JAPANESE SUPERMARKET CHAINS

Parent company results, half-year to August (Ybn)

	Sales		Pre-tax profits		Net profits	
Dai'ei	664.33	(+7.0%)	8.21	(+9.1%)	3.57	(+7.4%)
Ito-Yokado	467.92	(+5.5%)	21.49	(+21.9%)	10.29	(+18.2%)
Seiyu	368.32	(+3.4%)	3.88	(+25.6%)	1.86	(+46%)
Jusco	364.23	(+3.5%)	8.37	(+6.4%)	4.19	(+6.1%)
Nichii	280.87	(+1.8%)	6.29	(+13.2%)	3.5	(+12.8%)
Uny	199.16	(+2.8%)	6.73	(+3.3%)	3.63	(+9.4%)

Bell to issue A$200m notes and shares

By Our Financial Staff

BELL GROUP of Perth said yesterday it intended to raise A$200m (U.S.$141.1m) through a convertible note issue and share placing, in an arrangement which is expected to return to Mr Robert Holmes à Court and his associates majority control over his master investment vehicle.

The company announced proposals to place A$50m of shares at current market prices with institutions in Europe, and issue A$150m in convertible notes, the latter to be quoted in Luxembourg. Half of each issue would be subscribed by Mr Holmes à Court, Bell's chairman.

Coopers and Lybrand, Bell Group auditors, said that as a result Mr Holmes à Court would hold a further 7.1 to 7.7 per cent of the company. Together with mainly family associates, he curerntly controls 46.6 per cent.

Mr Holmes à Court is believed to be planning a full or partial bid for Broken Hil Proprietary, Australia's largest company.

Losses mount at Tiger International

By Our Financial Staff

TIGER INTERNATIONAL, the struggling freight group which owns the Flying Tiger cargo airline, has reported increased losses for the third quarter, reflecting continued deterioration in its trans-Pacific business.

The company incurred a net loss of $23.3m or 77 cents a share in the quarter, compared with net profits of $12.7m or 60 cents a year earlier. The latest loss is more than double that for the second quarter, and takes the deficit for the first nine months of 1985 to $38.1m or $1.47 a share, against net profits of $6.4m or 31 cents.

Revenues slipped from $313.3m to $283.9m for the quarter, and from $883.3m to $833.1m for the nine months.

Mr Robert Jensen, appointed last month as president and chief executive, said trans-Pacific revenues were down 23 per cent in the latest quarter, principally in U.S.-bound traffic from Taiwan, Korea and Japan.

In contrast, revenues rose in transatlantic, Latin American and charter operations. Flying Tiger Line itself had a pre-tax loss of $17.6m in the quarter, against profits of $27.1m a year earlier, which included a $13.1m pre-tax gain on aircraft sales.

INTL. COMPANIES AND FINANCE

North American quarterly results

H. F. AHMANSON
Savings and Loans

Third quarter	1985 $	1984 $
Revenue	748.8m	705.9m
Net profits	60.1m	3.2m
Net per share	2.15	0.12

AIR PRODUCTS & CHEMICALS
Industrial gases

Fourth quarter	1984-85 $	1983-84 $
Revenue	476.4m	418.2m
Net profits	38.1m	31.8m
Net per share	1.28	1.03
Nine months		
Revenue	1.83bn	1.74bn
Net profits	143.5m	140.8m
Net per share	4.75	4.55

AMERICAN BRANDS
Tobacco & consumer products

Third quarter	1985 $	1984 $
Revenue	2.01bn	1.84bn
Net profits	114.4m	106.1m
Net per share	2.00	1.85
Nine months		
Revenue	5.37bn	5.95bn
Net profits	308.2m	307.9m
Net per share	5.36	5.35

AVON PRODUCTS
Cosmetics, toiletries

Third quarter	1985 $	1984 $
Revenue	707m	747.3m
Net profits	25.4m	30.3m
Net per share	0.32	0.36
Nine months		
Revenue	2.1bn	2.28bn
Net profits	88m	108m
Net per share	1.12	1.27

BRUNSWICK
Marine, recreational products

Third quarter	1985 $	1984 $
Revenue	394.4m	356.1m
Net profits	24m	23.3m
Net per share	1.11	1.09
Nine months		
Revenue	1.15bn	1.12bn
Net profits	77.4m	74.5m
Net per share	3.59	3.50

CLUETT PEABODY
Clothing

Third quarter	1985 $	1984 $
Revenue	277.4m	271.8m
Net profits	10.6m	10.8m
Net per share	1.23	1.23
Nine months		
Revenue	721.3m	700.7m
Net profits	13m	22.1m
Net per share	1.43	2.48

COMMONWEALTH EDISON
Utility

Third quarter	1985 $	1984 $
Revenue	1.49bn	1.46bn
Net profits	368.3m	315.9m
Net per share	1.76	1.66
Nine months		
Revenue	3.81bn	3.76bn
Net profits	752.3m	674.7m
Net per share	3.56	3.45

CONTINENTAL TELECOM
Telecommunications

Third quarter	1985 $	1984 $
Revenue	578.4m	579.9m
Net profits	74.8m	46.1m
Net per share	1.01	0.82
Nine months		
Revenue	2.36bn	2.2bn
Net profits	175.5m	138m
Net per share	2.35	1.85

DOMINION RESOURCES
Utility holding company

Third quarter	1985 $	1984 $
Revenue	720.1m	679.5m
Net profits	102.9m	84.6m
Net per share	1.15	1.00
Nine months		
Revenue	2.05bn	1.97bn
Net profits	238.7m	216.9m
Net per share	2.70	2.57

EMHART
Industrial eqpt, adhesives

Third quarter	1985 $	1984 $
Revenue	421.2m	420.8m
Net profits	17m	21.4m
Net per share	0.61	0.78
Nine months		
Revenue	1.28bn	1.36bn
Net profits	58.4m	64.1m
Net per share	2.03	2.35

FRUEHAUF
Truck trailers

Third quarter	1985 $	1984 $
Revenue	598.3m	704.5m
Net profits	10.1m	21.4m
Net per share	0.48	1.08
Nine months		
Revenue	1.93bn	2.11bn
Net profits	62.3m	62.7m
Net per share	2.81	3.17

FORT HOWARD PAPER
Paper products

Third quarter	1985 $	1984 $
Revenue	362.9m	351.6m
Net profits	44.2m	37.5m
Net per share	0.70	0.59
Nine months		
Revenue	1.04bn	1.02bn
Net profits	121.1m	102.1m
Net per share	1.91	1.62

GAF
Chemicals, building materials

Third quarter	1985 $	1984 $
Revenue	193.8m	203.8m
Net profits	22.8m	13.6m
Net per share	1.28	0.80
Nine months		
Revenue	557.7m	595m
Net profits	64.2m	42.3m
Net per share	3.79	2.78

MIDDLE SOUTH UTILITIES
Utility holding co.

Nine months	1985 $	1984 $
Revenue	2.45bn	2.42bn
Net profits	410m	415.5m
Net per share	2.07	2.38

Continued on Page 49

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for October 21.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 89	100	101⅞	102⅜	0	+0⅜	10.23
Amex Credit 12⅜ 90	150	106⅝	107⅛	0	+0⅜	9.85
Atlant Richfld 10¼ 00	250	94⅜	94⅞	+0⅛	+0⅜	10.99
Australia Com 11¼ 00	100	103¼	103¾	0	+0⅜	10.75
Australia Com 11 95	200	102¾	103¼	+0⅜	+1	10.47
BP Capital 11⅛ 92	150	102⅝	103⅛	−0⅛	+0⅝	10.45
Canada 11½ 90	500	105⅜	105⅞	+0⅛	+0½	9.83
Canadian Pac 10¾ 93	100	102⅜	102⅞	+0⅜	+0¾	10.22
Canadian Pac 12½ 89	75	105⅛	105⅝	−0⅛	+0½	11.28
Chevron U.S.A. 12¼ 89	600	104⅝	105⅛	+0¼	+0½	10.67
Citicorp 10 89	200	100½	101	0	+0⅜	9.85
Citicorp 11½ 90	150	101⅛	102	−0⅛	+0¼	11.17
Coca Cola 11⅞ 91	100	106⅝	107⅛	+0¼	+0⅝	10.16
Denmark Kingdom 11¼ 00	100	103⅛	103⅝	+0⅜	+0⅝	10.98
Denmark Kingdom 11½ 90	100	103⅞	104⅜	+0⅛	+0⅛	10.28
Denmark Kingdom 11½ 92	100	103⅛	103⅝	+0¼	+0¾	10.72
E.D.F. 10 95	225	95⅜	95⅞	+0⅛	+0½	10.73
E.E.C. 9⅝ 90	350	96	96½	0	+0½	10.66
E.E.C. 11⅛ 00	100	103¼	103¾	+0¼	+0⅝	10.65
E.I.B. 12 95	200	106⅞	107⅜	+0⅛	+0½	10.74
Export Dev Corp 10 00	100	100	100⅛	+0⅜	+0½	9.98
Export Dev Corp 12 89	100	106¼	106¾	0	+0⅜	9.96
Fed Dep Stores 10⅛ 95	100	97¼	97¾	+0⅜	+0¾	10.53
Ford Motor Cred 11⅝ 90	100	102¾	103¼	+0⅛	+0½	10.44
Ford Motor Cred 11⅝ 95	100	102⅝	103⅛	+0½	+0⅝	11.08
Ford Motor Cred 11¾ 92	100	103¼	103¾	0	+0⅝	10.94
Ford Motor Cred 12 95	100	104⅝	105⅛	+0½	+0⅜	11.11
Gen Elec Credit 10¼ 00	200	100¾	101¼	0	+0¼	10.10
GMAC 10¼ 89	200	100½	101	−0⅛	+0⅛	9.95
IBM Credit 10⅜ 2000	300	101¾	102¼	+0⅛	+0⅛	10.08
Kellogg Company 10⅞ 00	100	102⅞	103⅜	0	+0⅜	9.91
Kellogg Company 11¼ 92	100	103⅜	103⅞	0	+0⅛	10.41
L.T.C.B. 12⅞ 91	100	109⅞	110⅜	+0⅛	+0½	10.52
Macy Cred Corp 11¾ 95	100	104¼	104¾	+0⅜	+0⅞	10.93
Merrill Lynch 12¾ 89	100	105⅝	106⅛	0	+0⅜	10.84
Minnesota 11½ 87	100	103⅝	104⅛	+0¼	+0⅜	9.34
Mitsui Trust 11⅝ 90	100	102⅝	103⅛	+0¼	+0⅜	10.78
Morgan Guaranty 12⅜ 89	100	106⅞	107⅜	0	+0⅝	10.10
Pru Realty secs 12⅞ 95	546	106⅜	106⅞	0	+0¼	10.88
Qantas Airways 10⅜ 95	140	96¾	97¼	0	+0⅜	10.53
Quebec Hydro 11½ 92	100	105¼	105¾	0	+0⅞	10.36
Queensland Govt 10¼ 95	100	96¾	97¼	+0⅛	+0⅜	10.75
Ralston Purina 11¾ 95	150	104¾	105¼	+0⅜	+0¾	10.86
Ralston Purina 12¾ 89	100	107½	108	+0⅛	+0½	10.28
Saskatchewan 10¾ 92	100	101⅞	102⅜	+0¼	+0⅝	10.25
Saskatchewan 11⅞ 89	100	105⅝	106⅛	0	+0½	10.03
Statoil 10 90	170	99¼	99¾	−0⅛	+0⅛	10.12
S Wales Trsy 11¾ 90	150	104⅞	105⅜	−0⅛	+0⅜	10.24
Swed Exp Cred 10 92	100	97⅝	98⅛	+0¼	+0⅝	10.44
Swed Exp Cred 12¾ 89XW	100	107¼	107¾	0	+0⅜	10.29
Sweden Kingdom 10⅞ 00	200	102⅜	102⅞	+0⅛	+0⅝	10.86
Sweden Kingdom 11½ 89	200	104¾	105¼	+0⅛	+0⅞	9.95
Sweden Kingdom 11¾ 94	100	105½	106	+0¼	+0½	10.72
Tenneco Corp 10¾ 95	150	100¼	100¾	+0⅜	+0⅝	10.64
Texaco Capital 10 95	300	95⅞	96⅜	−0⅛	+0¾	10.69
Texaco Capital 11⅛ 95	250	100⅞	101⅜	+0¼	+0¾	10.91
Tokai Asia 11½ 90	100	103¼	103¾	+0¼	+0½	10.47
United Tech Fin 10⅜ 95	100	99⅛	99⅝	−0⅛	+0¾	10.72
Victorian Rep 11⅝ 92	150	104	104½	0	+0⅛	10.66
World Bank 10⅛ 95	300	97⅝	98⅛	+0⅛	+0⅛	10.47
World Bank 12⅞ 94	200	111¾	112¼	0	+0⅜	10.78

Average price change On day +0⅛ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	105⅞	106⅜	−0¼	−0⅛	7.05
Austria Republic 7⅜ 94	200	103¾	104¼	−0¼	−1	6.97
Baxter Travenol 7¼ 94	200	102¼	102¾	−0¼	−0¾	6.84
Copenhagen 7⅜ 95	150	101⅝	102⅛	−0⅛	−0⅜	7.08
Credit National 8¼ 94	200	106½	107	0	−0½	7.02
E.I.B. 7¼ 94	300	101¾	102¼	0	−0¼	6.94
Escom 8 92	150	97⅝	98⅛	+0⅛	+0⅝	8.42
Ex-Im Bk Korea 7⅜ 90	100	100¼	100¾	+0¼	0	7.49
Ferrovie Dello Stato 8 91	100	103¾	104¼	−0¼	−0¾	7.07
Finland Republic 7 92	200	101	101½	−0¼	−0¾	6.74
Gould Int Fin 7⅜ 91	100	103¼	103¾	−0⅛	−0¼	6.69
Ireland 8⅛ 92	150	104¾	105¼	−0⅜	0	7.13
Japan Fin Corp 7⅜ 91	100	105⅛	105⅝	−0⅛	−0⅛	6.45
Mitsubishi Hvy 3½ 89WW	300	180¼	181½	+1⅝	−4⅛	−13.39
Mitsubishi Hvy 3½ 89XW	300	91½	92	+0⅛	+0¼	6.28
Mitsubishi Met 3⅞ 89WW	100	107	107¾	−0⅛	+0⅜	1.29
Mitsubishi Met 3⅞ 89XW	100	89⅝	90⅛	−0¼	−0⅛	5.94
Quebec Hydro 7⅛ 95	200	101½	102	0	−0¾	6.86
Renfe 7¾ 90	100	102½	103	−0⅛	−0½	7.35
Soc Cent Nucleai 7¼ 95	150	102	102½	+0⅜	+0¼	6.92
Societe Cent Nuclear 8 91	100	106¼	106¾	+0⅛	−0¼	6.58
Sth African Tran 7⅜ 92	100	[illegible]	[illegible]	+0⅜	+0¾	8.64
World Bank 7 95	600	101	101½	+0⅛	0	6.82
World Bank 7¾ 89	100	103⅛	103⅝	−0¼	−0¼	6.52

Average price change On day 0 on week −0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅝ 94	130	†100¼	100⅝	0	−0¼	5.32
Brit land Comp 6½ 99	75	†104½	105	−1	−0⅜	5.96
Council of Europe 6 92	120	†102	102½	0	−0⅝	5.60
Creditanstalt 5½ 94	100	†100	100¼	+0⅜	−0¼	5.46
Deutsche Bk Fin 5⅛ 95	100	†102¾	103	−0⅜	−0¼	4.98
E.I.B. 5⅞ 94	120	†102	102½	0	−0⅛	5.55
Gen Occidentale 4½ 94	80	†102¾	103	−0⅛	+0⅜	4.11
Glendale Fed S&L 5½ 90	100	†99	99¼	+1	+1	5.62
Ind Fund Fin 5¾ 94	40	†101½	102	−0½	−0⅜	5.50
Int-Am Dev Bk 6⅛ 94	120	†103	103¼	−1⅛	−0⅛	5.67
N Zealand steel 5¾ 96	70	†99¼	99½	−0⅞	−0¾	5.82
Oberos Kltwk 5⅝ 95	100	†98½	99¾	−0⅜	−0½	5.42
Olivetti Intl 5½ 95	100	†100⅛	101½	−	−	5.36
Pepsico 6¼ 90	130	†101¼	102¼	−	−	5.01
Ralston Purina 5⅝ 94	125	†101½	101¾	0	+0¼	5.14
Santos Finance Ltd 6 94	130	†99⅛	100	−0⅜	−0⅞	6.04
Tokyo Elec Pwr 5½ 93	120	†100	100¼	−0⅛	−1½	5.47
Tokyo Metropolis 6¼ 94	80	†100⅛	100⅜	+0¼	+0¼	5.16
World Bk 5¾ 94	150	†102½	102¾	+0½	+0⅜	5.39

Average price change On day −0⅛ on week −0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 8¼ 90	10	106⅜	106⅞	0	+0⅜	6.57
Gdyr Tr & Rubber 7⅛ 95	25	100¼	100¾	+0⅛	+0¼	7.04
Mort Bk Denmark 7 92	10	100⅞	101⅜	+0⅛	+0⅜	6.77
New Brunswick 7⅛ 95	10	102	102½	0	+0⅜	6.79
Swed Exp Cred Zero 90	14	72⅛	73	0	+0⅛	6.65

Average price change On day 0 on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust Gas & Light 13 92 SA	50	98⅛	99⅛	−0⅛	−0½	13.26
GMAC 12⅞ 88 AS	35	96⅝	97⅜	−0¼	−0⅜	14.12
Kellogg Co. 12¾ 88 AS	30	96⅛	97⅛	−0¼	0	14.21
Midland Intl 13⅝ 90AS	50	99	100	0	0	13.49
Amex 10¾ 90 CS	50	100¼	100¾	+0⅜	+1⅜	10.58
CIBC 10¾ 95 CS	75	†98¾	99¼	−2¼	+1⅛	11.02
Genstar Fin 11⅞ 95 CS	75	99	99⅛	0	−0¼	11.86
Harol–Wam'th 10¾ 95CS	25	†93½	94½	+0¼	−1	11.80
Montreal 11½ 95 CS	75	102⅜	102⅞	−	−	11.02
Sears Acc. Co 10⅜ 92CS	75	†95½	96	+0¼	+0⅜	11.54
Winnipeg City 10⅜ 90CS	50	101½	102	+0⅛	+2	10.11
Chrysler Fin Corp 17 90NS	65	†91½	93½	−0¼	−0¼	19.46
K.O.P. 16¼ 91 NS	60	†85	90	0	−0¼	19.82
Privatbanken 16¾ 88 NS	60	†95½	97½	+0¾	+0¾	17.97
B.N.P. 8⅞ 95 ECU	75	98½	99	−0⅜	−0¼	9.06
IBM Wld Trade 8¾ 90ECU	150	96⅞	99⅜	−0½	−0⅛	8.47
Sec Pac Aust 8¾ 90 ECU	100	98⅛	99⅜	−0¼	0	5.17
Honda Motor WW 3⅞ 90FL	100	102½	103	+0¼	+0⅜	3.19
Honda Motor XW 3⅞ 90FL	100	88⅛	88⅝	−0⅛	−0⅜	7.02
Thyssen 7¼ 90 FL	80	101	101½	0	−0⅛	6.83
Weraldhave 7½ 90 FL	75	101¼	101¾	−0⅛	−0¼	7.11
Wessanen 8¼ 90 FL	60	98⅛	98⅝	0	−0⅛	7.15
S.N.C.F. 11 2000 FF	500	100⅜	100⅞	+0⅜	+1¾	10.90
Australia Comm 11 92 £	40	100½	101	0	−0⅛	10.80
BP Capital 10¾ 92 £	50	100⅛	100⅝	+0⅛	+0⅛	10.68
E.I.B. 11⅛ 95 £	60	100¾	101¼	+0⅛	+0¼	10.88
GMAC UK Fin 10½ 90 £	30	99	100⅛	−0⅛	+0¼	10.68
Imp Chem Inds 11¾ 95 £	75	101⅛	101⅝	+0⅛	+0¼	11.01
Imp Chem Inds 10⅝ 92 £	75	98⅝	99⅛	+0⅛	+0⅛	10.89
Mcdonalds 10⅞ 00 £	40	101⅛	101⅝	0	0	10.44
Mitsubishi Fin HK 11 00 £	50	99¾	100¼	0	0	10.96
Privatbanken 11⅞ 92 £	20	101½	102	0	0	11.44
Rank Xerox 11 92 £	40	100⅛	100⅝	0	+0⅛	10.88
Royal Ind 10¾ 92 £	60	98	98½	+0⅛	+0¼	11.11
Ster Drug Cap 10⅞ 90 £	30	100⅜	100⅞	0	+0¼	10.65
Tricentrol XW 11 92 £	35	96⅝	97⅛	0	−0⅛	11.67
Tsthouse Forte 11⅛ 90£	60	99⅞	100⅜	+0⅛	0	11.05
World Bank 11¼ 95 £	100	101⅛	102⅛	0	0	10.90
E.C.S.C. 10⅞ 94LF	100	104⅞	105⅞	+0⅛	+0½	9.58
Nat Lux Alum 10⅛ 92 LF	800	104	105	−0⅛	0	9.57

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	†99¾	100	20/10	5.1	8.11
BankAmerica O/S 6¼ 90	0⅛	100	100¼	30/12	8⅛	8.11
Bankers Trust 8 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 99	0⅛	100¼	100½	13/12	8¾	8.72
B.N.P. 5¼ 90	0	101⅛	101⅝	10/1	8¼	8.19
B.N.P. 5¼ 96 (July)	0¼	100	100¼	22/1	8¼	8.26
B.N.P. 5¼ 99	0⅛	100⅛	100⅜	5/6	8¼	8.24
Britannia 8 90	0⅛	97¼	97½	4/1	5	5.13
C.C.F. 5¼ 97	0	99¾	100	28/10	8.18	8.20
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	8.69	8.62
Credit Lyonnais 8 00	0	100⅛	100⅜	10/1	8	4.98
E.E.C. 5 90	0	99⅝	99⅞	8/1	5.08	5.08
E.N.E.L. 5 00	0⅛	100⅛	100⅜	1/3	8	4.98
Iceland 5¼ 00	0⅛	99⅝	99⅞	11/1	5¼	5.26
Ireland 5¼ 97	0	100	100¼	26/10	9.88	9.86
Ireland 5¼ 99	0	100¼	100½	18/3	8.94	8.90
Lloyds Bank Perp	0¼	100	100¼	8/12	8	7.99
Midland Bank Perp 5	0¼	99⅞	100⅜	19/12	8⅛	5.11
Nat West Perp A 5¼ S	0¼	99⅞	100⅛	9/1	8¼	8.25
Nat West Perp B 5¼ S	0¼	99⅞	100⅛	10/2	8.91	8.91
New Zealand 5 97 £	0	99¾	100	14/11	11.56	11.58
Roy Bk Canada 5 2005	0⅛	99⅞	100⅛	7/10	8¼	8.25
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅝	1/11	11.69	11.78
United Kingdom 5 92	0	99⅞	100⅛	7/7	5	5.08

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.84	131½	132½	0	9.85
Comcast 7 2000	12/85	23.875	†105¼	106¼	−0¼	27.00
Fanuc 3¾ 98	1/84	7032.3	191⅝	195⅛	−1⅛	99.42
Fuji Hvy Inds 3 2000	8/85	678	99⅛	100⅛	−0⅜	2.28
Fujitsu 3 99	5/84	1320.9	93⅛	94⅛	−0⅜	15.53
Kumagai Gumi 3½ 2000	3/85	600	164⅜	165⅞	0	7.78
Marui 3½ 99	7/84	1162	146⅛	147⅛	−0⅛	1.50
Mitsubishi Elec 2⅞ 00	3/85	422	101⅛	102⅛	+0⅜	−0.78
Murata 3½ 2000	7/84	[illegible]	[illegible]	[illegible]	+2	21.44
Nippon Elec 2⅞ 2000	1/85	1295	95⅞	98⅛	+1⅝	41.37
Nippon Oil Co 3 2000	5/85	923	94¼	95¼	+0⅜	−2.20
Oki Elec Ind 3¼ 99	10/84	805	93⅛	94⅝	+0⅞	23.10
Orient Leasing 5¼ 98	6/83	2993	†103½	105½	+1⅝	−1.97
Sekisui House 3 89	6/84	[illegible]	103	104½	+3⅜	3.52
Sumitomo Bank 2¾ 2000	8/85	2742	99⅛	100⅛	+0½	8.30
Sumitomo Corp 2⅞ 99	5/84	593	130⅝	131⅞	+0¾	−6.54
Taiyo Yuden 3¼ 2000	3/86	1078	†92	94	+1	−3.46
Takeda Riken 3¼ 2000	10/84	7683	†85	87	−1½	8.29
Tokyo Sanyo Elec 3½ 99	12/84	772	93⅝	94⅝	−0⅜	2.34
Toshiba Ceramics 8 2000	4/85	1734.2	86⅝	87⅝	0	3.34
Nippon Oil Co 2⅞ 92 SF	3/84	1052	†101	101¼	+0⅞	30.90
Nippon Shinpan Co 2 92 SF	3/84	801	†111	111½	−1½	18.43
Asics 8 92 DM	12/83	520	106⅝	107⅝	−0⅜	15.90
Renown 3⅛ 90 DM	2/85	875	108½	109¼	−0⅜	−2.80
Sum Realty 6¼ 92 DM	2/83	336	†383¾	384¾	+22	3.45

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week—Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte—Date next coupon becomes effective. Spread—Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn—current coupon. C.yld—current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day—Change on day. Cnv. date—First date for conversion into shares. Cnv. price—Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem—Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SOCIETE GÉNÉRALE ALSACIENNE DE BANQUE
$US 40.000.000 FLOATING RATE NOTES DUE 1995

For the six months, October 15, 1985 to April 14, 1986, the rate of interest has been fixed at 8 7/16 % P.A.

The interest due on April 15, 1986 against coupon nr 2 will be $US 426.56 and has been computed on the actual number of days elapsed (182) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Notice of Early Redemption

The Fuji Bank, Limited

US $40,000,000

Callable Floating Rate Certificates of Deposit

Issued 30th November 1981 Maturity 28th November 1986
Callable November, 1985

Notice is hereby given in accordance with Clause 5 of the Certificate of Deposit (the "Certificates") that pursuant to Clause 3 of the Certificates, The Fuji Bank, Limited will repay all of the outstanding Certificates on 29th November, 1985 at their principal amount.
Payment of the principal amount together with accrued interest will be made on the repayment date against presentation and surrender of the Certificates at the London Office of the Fuji Bank London, 25/31 Moorgate, London, EC2R 6HQ. Interest will cease to accrue on the Certificates on the repayment date.

Agent Bank
MERRILL LYNCH INTERNATIONAL BANK LIMITED

N.S. FINANCE CORPORATION N.V.

U.S. $15,000,000 Guaranteed Floating Rate Notes Due 1987/8/9
Unconditionally guaranteed by
Nederlandse Scheepshypotheekbank N.V.

For the three months 18th October, 1985 to 21st January, 1986, the Notes will carry an interest rate of 8½% per annum with a Coupon Amount of U.S.$112.15 payable on 21st January, 1986.

Bankers Trust Company, London
Principal Paying Agent

U.S. $60,000,000

Industrias Peñoles, S.A. de C.V.

(Incorporated in the United Mexican States)

Floating Rate Notes Due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 22nd October, 1985 to 22nd January, 1986 the Notes will carry an Interest Rate of 10⅛% per annum and the Coupon Amount per U.S. $10,000 will be U.S. $255.56.

Credit Suisse First Boston Limited
Agent Bank

NOTICE OF PREPAYMENT

The Bank of Tokyo, Ltd.

(Incorporated with limited liability in Japan)

U.S. $20,000,000 Callable Negotiable Floating Rate Dollar Certificates of Deposit due 18th December, 1986 (Series BA)

In accordance with the provisions of the Certificates, notice is hereby given that The Bank of Tokyo, Ltd. ("The Bank") will prepay the principal amount on the next Interest Payment Date, 18th December, 1985, together with the interest accrued to that date.
Payment will be made against presentation and surrender of the Certificates at the Bank's London Office at 20/24 Moorgate, London EC2R 6DH.

22nd October, 1985

UK COMPANY NEWS

Battle lines set in Allied-Lyons bid

BY MARTIN DICKSON

The phoney war is over. The launching yesterday by Elders IXL of its takeover bid for Allied-Lyons marked the end of weeks of informal sparring while it remained uncertain whether an offer would emerge.

Those weeks have given Allied a valuable breathing space in which to start erecting barriers, and the broad outlines of its defence are already clear. Yesterday's scathing attack by Elders on Allied's record similarly gives a good indication of the strategy it intends to adopt.

So what are likely to be the main issues in Britain's biggest takeover battlo?

On one side of the battlefield stands one of the UK's leading companies, employing more than 70,000 people, full and part-time, with a turnover in the year to March of £3.2bn and net profits of £139m.

Allied-Lyons was formed in 1978 from a merger between Allied Breweries and tho J. Lyons food business. Its products includo some of Britain's best-known bousebold names: Double Diamond, Ind Coope, Skol and Tetley's beers; Teacher's whisky; Harveys sherries; Lyons coffee, tea, cakes and ice-cream.

On the other sido is a company which bas becomo one of the fastest growing in Australia since the arrival in 1981 of managing director, Mr John Ellintt. Traditionally an agricultural trading and services company, it expanded into finance, more general international trade and brewing, through a daring takeover in late 1983 of Carlton United Breweries, the best-known product of which is Foster's lager.

Elders has 17,000 employees and its net profits in the year to Juno totalled A$102m (£50m), on sales of A$7bn.

Elders is offering 255p in cash for each Allied-Lyons ordinary share and 120p in cash for each Allied 5.25 per cent or 3.85 per cent preference share.

There is no paper alternative, though Elders "reserves the right to nffer loan notes in exchange for Allied-Lyons shares, with a separate cash alternative provided by a third party for the full valuo of the relevant offer."

The offer is being made by Hill Samuel on behalf of IXL, an English company being incorporated for the purpose of the bid.

If the offer is successful, Elders intends to implement a corporate reconstruction of IXL and Allied-Lyons, involving their liquidation, the partition of Allied-Lyons' undertaking and its transfer to five new holding companies.

The offer is subject to a list of 10 condtions, most of which Elders reserves the right to waive. These include:

● The Inland Revenue giving clearances satisfactory to IXL that the proposed reconstruction will not result in any charge to corporation tax on any member of the Allied group or IXL under various sections of income and capital gains tax acts.

day as Indicrous by Allied. City analysts agree that Elders is offoring nowbere near onough to capture tho Britisb company and that to stand any chance of success o bid would bavo to be pitchod abont 320p-350p.

Tho first major issuo is the size of the 255p a share Elders' offer, which was rejected yester-

Allied is likely to make much of the disparity in size between the two companies over tho coming weeks, questioning both the strength and depth of Elders' management and finances

It began last night by querying the special UK company, called IXL, set np by Elders to launch the bid, saying Elders should make clear IXL's precise ownership.

The Australian camp replied that there was nothing sinister about IXL, which bad been formed partly for tax reasons and partly to keep tho debt involved in the deal off Elders' balance sheet. IXL was owned partly by Elders and partly by tho banks backing it, but Elders had options to buy all the shares et cost.

Allied will also be making much of Elders' plan to sell parts of the group, notably its food manufacturing interests, and will seek to display this as asset stripping and a threat to jobs.

"They have totally failed to take into account our workforce," Sir Derrick Holden-Brown, the chairman, said last night.

The main thrust of Elders' attack will be to criticise Allied's trading record and the strength of its management.

Mr Elliott yesterday claimed that "all three of Allied's major businesses, brewing, wines and spirits and food, failed to perform as well as the competition, almost all their major products are number two brands and losing market share."

He argued that the management structure was antiquated and stifled initiative, although the group had good people in middle management.

But Sir Derrick Holden-Brown replied last night that "this argumont is o nonsense and bo knows it. We have a very strong management structure, an enviable protfolio of very strong brands in each division and we are first in many fields. These are just tactics designed to talk down the price of our shares."

See Lex

Enlarged Bestwood at £121,000

THE MAGNITUDE of the changes that bave taken place at Bestwood are not fully reflected in the interim figures, Mr A. A. F. Cole, the chairman, states in reporting a turnround from losses of £9,826 to pre-tax profits of £120,944, for tho first half of 1985. For all of 1984 profits of £273,713 were achieved.

Tho results of this investment bolding company include its subsidiary John Brown (Printer), and also this time the newly-acquired Atlanta Financial Services, Atlanta Trust (formorly Kingsnorth Trust), and Redstonecourt.

As usual there is no interim dividend, but the directors hope to maintain the single final at 6p.

For the half year turnover improved by 39 per cent from £899,654 to £1.25m.

Tax took £49,889 (£31,307), leaving net profits of £71,055 (losses £41,133) for stated earnings of 3.09p (losses 1.79p) per 15p share.

Metsec joining USM with £8.4m valuation

Metsec, a designer and manufacturer of structural components and systems, is joining tho USM with a markot valuo of £8.4m.

Albert E. Sharp is placing 3.8m shares, representing 30 per cent of tho company, at 67p each to raise a total of £2.5m. About two thirds of tho shares in the plocing are being sold by existing shareholders, while the remainder will raise about £700,000 after expanses for tho company.

The company was formed in 1981 as e result of a management buy-out of a subsidiary of Tube Investments, TI Metsec. Tho buy-out was 40 per cent funded by 3i and ECI at e cost of £150,000. Following the flotation they will retain ebout 25 per cent of tho shares, having raised around £800,000 in the issue.

The original business of Metsec began in 1931 when the company introduced cold roll forming to the UK, and for almost 50 years it was owned by TI. Since the buyout the product range has been expanded, and profits have risen from about £182,000 in the 18 months to December 1982 to £658,000 in 1984 on turnover little changed at about £3.5m. In the first six months of the current year, profits rose to £776,000 and for tho full year the company is forecasting pre-tax profits of not less than £1.3m.

Metsec has four basic prodnct areas: custom roll formed components; purlins and side rails, lattice beams and Metframe, a now tailor-made lightweight roof structure and support system. These products are sold to ovor 700 customers worldwide, mainly in tho construction industry.

Based in West Midlands, Motsec employs 204 people. It bas recently bought its premises from TI for £750,000, and part of tho issuo proceeds will bo used to fund that purchase.

At the placing prico, the shares are on a prospective p/e ratio of 11 after a 43 per cent tax charge. Based on a dividend of 2.46p, the yield is 5.25 per cent.

Dealings begin on October 28.

High-Point at £0.9m despite U.S. expansion

High-Point Services Group again reports record results for the year to May 31, 1985, despite a beavy investment of management and financial resources in the start of the group's U.S. business.

Pre-tax profits increased from £717,402 to £908,705 for the USM-quoted group, which provides professional advisory services for international ongineering and construction projocts.

Turnovor of the group and its associates was £6.54m against £4.25m. A final dividend of 2.5p per share is proposed, making 4p for tho full year (1.5p).

Earnings per share were statod et 16.76p (17.29p).

It was also announced yestorday that Mr Roy Barber, finance director of Amec for tho past 11 years, will become the first managing director of High-Point Asset Management, a subsidiary of High-Point Services. High-Point will own 51 per cent of the company and Mr Barber 49 per cent.

IBL growth continues with profits at £1.08m

IBL, the specialist computer leasing group which came to the stock market in May, has increased pre-tax profits from £0.4m to £1.08m in the six months to June 30.

Mr Philip Coussens, chairman, says the results represent a substantial growth in business activity. IBL, most nf the equipment for which is made by IBM, U.S. computer maker, has a much higher level of activity in the second half because of the greater demand for its servicees in the last quarter, particularly in December.

Mr Coussens says the group's infrastructure is designed to meet this demand, with the result that the hulk of pre-tax profits are achieved in the second half.

A dividend of 0.4p is being recommonded, as forecast.

The continued expansion of the group'e main business activities in tho first half is reflected in increased overheads. Expansion in the U.S. has cost £1.1m, an increase of £847,000 on total overheads in the U.S. in the second half of 1984.

The expenditure is already producing benefits and the group expects turnover from this source to be several times greater than the $12.5m achieved in 1984.

The launch of the top-of-tho rango Sierra (the IBM 3090), deliveries of which began in the second balf, is expected to lead to a substantial increase in the volume of business to tho end nf tho year.

Mr Coussens says tho group looks forward with confidence to good results for the full year.

Turnover rose to £90.7m (£55.7m) with other operating costs nf £7.16m (£3.5m) and other interest payable of £643,000 (£596,000).

The group's share of profits of associated companies contribnted £33,000 against loss of £22,000. Tax was £269,000 (£36,000) with minorities of £13,000 (£8,000).

Earnings per share were stated at 1.3p (0.63p after adjusting for bonus issue and sudivision).

● comment

IBM's acceleration of the Sierra sales programme is benefiting IBL. It seems that Big Bloe doesn't care how but only how many of its top of the range main frames are moved out of the warehouses and into corporate computer centres. The sharp seasonality that usually effects IBL, in which first half profits may only be a tenth of tho year's total, is being amplified by the IBM drive. Next year's delivery figure for the 3090 machine is expected to double that of 1985—np to a total of 1700. IBL is also able to play the cross-border arbitrageur with IBM price lists to good effect. Belgium is cheaper, so buy there and lease in Holland and so on. And while the debate on residuals still rages, IBL's position is a fairly conservative one—keeping its rating closer to the adjusted mean of the mini-sector of computer lessors. For the year profits of £12m are forecast, which has the shares fairly fully rated on a prospective p/e of 9¼ at 138p with a 25 per cent tax charge.

Snowdon & Bridge places 25%

A quarter of the equity in Snowdon & Bridge will be placed in the City later next month prior to its joining the Unlisted Securities Market.

The company is a family controlled "second generation" wholesaling operation which has increasingly concentrated on the catering sector in response to the overwhelming direct buying power of the retail trade.

Most of the shares in the placing, which will raise £1½m to £2m will come from existing family holdings that have become scattered since the company's inception 50 years ago. There will be some new money for the company to cover issue costs and provide some extra finance for working capital.

The company now distributes a wide range of food and non-food products to north of England customers in the catering trade from three warehouses in Salford, Rossendale and Bradford.

The recent profits record shows the company to be progressing with profits fnr the 53 weeks to January 1985 of £704,000 on sales of £20.6m. A forecast of higher profits will be contained in the published prospectus.

There is little by the way of direct comparison to S & B in the market but brokers Henry Cooke, Lumsden will probably pitch the placing price on a p/e in the low 'teens.

LADBROKE INDEX
1,047-1,051 (−2)
Based on FT Index
Tel: 01-427 4411

All-round growth boosts Famous Grouse by 15%

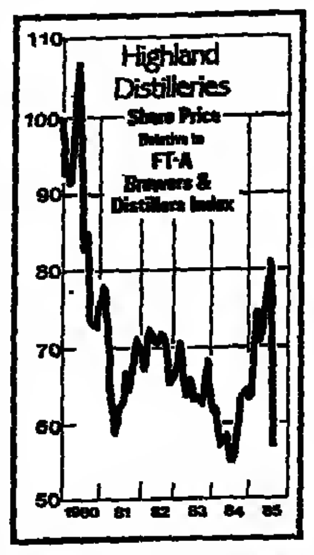
ANOTHER YEAR of all-round growth saw Highland Distilleries increase pre-tax profits by 15 per cent, on turnover up by 10 per cent. Directors report sales of Famous Grouse ahead both in the UK and abroad, and higher demand for new and mature whisky for blending.

For the 12 months to the end of August, pre-tax profits were up from £8.27m to £9.51m, on turnover np et £101.27m, against £92.21m.

There was, bowever, a greatly increased tax chargo, up from £1.89m to £3.13m, with £800,000 of the increase being related to the loss of stock relief. That left the earnings per 20p share unchanged at 5.2p, however, with a higher recommended final payment of 1.42p, compared with 1.2385p adjusted for last year's one-for-ono scrip issue, the total dividend is being raised to 1.98p (1.76p).

Directors say that sales of Famous Grouse increased in the UK, despite difficult trading conditions. For the first nine months of 1985, sales rose by 7 per cent in total, with increases both north and south of the border.

Overseas sales were once again well ahead of the year before. The company is continuing to invest beavily to boost further sales of Famous Grouse in all markets.



Demand for new fillings was appreciably higher than last year, which, together with increased production for the company's own use, gave better capacity utilisation at the distilleries. Profits from sale of mature whisky also showed an increase on 1983-84.

Operating profit came out at £7.87m against £7.08m after charging distribution and administration costs of £1.43m (£1.4m) and depreciation of £786,000 (£770,000).

● comment

Encouraging profits surprised the market no more than the unchanged earnings figure. The City was well prepared for a much higher tax rate due mainly to the abolition of stock relief, and it was also counting on Famous Grouse securing a larger market share in the UK. However, an unexpected bonus was the increase in market penetration in Scotland for a demanding starting point of around 25 per cent, which occured in the midst of aggressive competition from cheap brands. The growth in exports of around 23 per cent in value was also an encouraging sign, as was the increasing profitability of new fillings. The current year promises more of the same, although after higher marketing expenditure, especially in the U.S. where Highland is trying to establisb a foothold, profits may be ebout £10.5m. Assuming another rise in the tax rate to about 38 per cent, the p/e at 81p is 15. That comes down about three noches if Highland's stake in Robertson and Baxter is consolidated, which still leaves the shares at o premium to the sector and seems deserved only if the forray into the U.S. proves a success.

Winter hits Wettern and trading profits tumble

THE EXCEPTIONALLY cold winter conditions in the first quarter of 1985 adversely affected Wottern Brothers' business, and trading profits for the six months to June 30 fell from £52,200 to £28,400 after interest charges down from £9,700 to £5,400.

The trading profit figures benefited however, from a £17,500 exceptional item, representing settlement of an outstanding legal claim. No tax was again payable.

Although the accumulated loss in the profit and loss account has been completely eliminated, the board considers it prudent to wait the outcome of the full year's results before considering declaring e dividend. Last year a payment of 1p net was made from pre-tax profits of £94,000.

Tho group—its main activities are the preparation and distribution of construction materials—says the current level of market activity in the sand and gravel operations continues to fluctuate, but remains encouraging.

Turnover fell sligbtly in the opening half from £1.2m to £1.1m. There was an extraordinary credit of £28,800 against a debit of £9,000 last time, leaving net profits up from £43,200 to £57,200. Stated earnings per 25p share were down from 3.1p to 1.7p.

In last year's final report it was stated that an action was taken against a statutory body for damages and loss arising from the failure of premises licensed to a subsidiary company. The decision ewarded in fevour of the company is the subject of an appeal by the statutory body.

Tranwood lower but expects improvement

After reporting o slight fall from £54,000 to £49,000 in pre-tax profits, the directors, of Tranwood Group expect a very substantial increase in profits during the second half. This should result, they say, from an increased level of sales and the elimination of any loan stock interest.

Turnover of this manufacturer and distributor of hosiery and associated products improved from £2.5m to £2.74m in the six months to July 31, 1985. Operating profits were £11,000 lower et £100,000 after costs and overheads, less other income totalling £2.64m (£2.39m).

Stated earnings per 5p share were 0.15p basic (0.24p). No interim dividend is again payable—no dividend has been paid since 1976.

Electron pays £2m for Kelvin

Electron House, the electronic component distribution group which joined the USM in April, is to pay up to £2m for the private company Kelvin Impex.

The initial consideration of £1m is tn be satisfied by the issue of 930,349 new ordinary shares at 10p each — all of these have already been conditionally placed with clients of broker Laurie, Milbank, acting for Electron.

The deferred element of the purchase price will be paid over the next four years, in either shares or cash, in a profit-related arrangement up to £1m.

Charter Cons.

Charter Consolidated, the mining and industrial group, yesterday disclosed thet funds connected with M & G Investment Management have raised their stake in the company to 11.6 per cent.

M & G said that its funds had recently hought some 7m shares, taking its total from 5m to 12.28m. Mr David Turner, M & G director, said he believed the shares, acquired in two large blocks, had heen sold by the Kuwait Investment Office and hy Hanson Trust.

Mr Turner denied that M & G hed any plans to engineer e takeover of Charter or to ask for representation on the Charter hoard. However, M & G did like to keep close to companies where it held important stakes. "We do try to influence them," be said.

Herman Smith

Herman Smith, the West Midlands based engineer which plunged into losses last year, has decided to appoint a receiver. The move follows unsuccessful attempts to sell off the company and a series of disposals which left it with just the Eurocraft metal work subsidiary.

Herman Smith's shares were suspended last February pending reorganisation, and in May it was announced that the group's bankers had indicated their continuing support.

Crest Nicholson in £25m agreed bid for Pearce

BY FRANK KANE

IN A £25m move, aimed at strengthening its important property development business, Crest Nicholsen has reached agreement for the purchase of the Bristol-based C. H. Pearce & Sons, a house-builder and property concern.

The Pearce family, which controls the company and has four out of the five board seats, has pledged its own bolding of 2.19m shares, 58 per cent of the equity, and is recommending other shareholders to eccept the terms.

Crest is offering 161 new ordinary 10p shares and £20.88 in cash for every 32 Pearce shares. Based on a price of 120p for each Crest share this values Pearce at £25.25m, or 669p per share, representing a significant discount to yesterday's opening price of 725p.

There is a mix-and-match facility by which shareholders whn accept theoffer prior to the first closing date will he able to vary the proportion of shares to cash, subject to a ceiling of about 10 per cent cash of the total value.

Mr Tony Fay, Crest's deputy chief executive, said that the company was "very much playing to our proven strength in the property market. We have a good track record on the property side and are confident that we can do it again with C. H. Pearce."

He pointed also to the complementary geographical nature of the acquisition. Pearce was strong in property development and contracting in the West Country and the South Midlands, while Crest'e commercial property development was concentradted in the Home Counties.

Property development accounted for nearly 60 per cent of Crest's turnover in the year to October 31 1984. Sales totalled £90.84m and produced taxable profits of £8.52m.

In 1984-85 Pearce lifted profite by 14 per cent to £3.34m, on turnover ahead 46 per cent at £58.2m.

Full aceptance of the offer would involve the issue of 18.99m new Crest Nicholson shares, ebout 30 per cent of the enlarged capital. Mr Fay agreed yesterday that this would mean a slight dilution of earnings for Crest shareholders. But pointing to Pearce's £20.6m worth of net assets et May 31 1984, be said: 'It won't take long for it to be recovered."

Enterprise £3m bid for Lennox

BY DAVID GOODHART

Enterprise Oil, the former oil production arm of the British Gas Corporation, has followed up its successful £122m bid for Saxon Oil with an agreed deal et the opposite end of the UK oil exploration market.

It announced yesterday that tha directors of Lennox, an unqnoted Edinburgh-based oil and gas exploration company, are recommending acceptance of a 49.5p per share cash offer for the company by Enterprise—valuing Lennox et £2.86m.

Enterprise is primarily interested in Lennox's onshore exploration licences in and around the Solway Firth and in the Vale of York. Lennox will also beqneath offshore licences in the English Channel and the North Sea.

Enterprise said yesterday that the inclusion of Lennox'a offshore interests will increase to 112 the number of blocks on the UK continental shelf in which the Enterprise group holds an interest.

Lennox was formed in 1980 and afer acquiring its English Channel licence, expanded into the U.S. However, it has recenlly completed the sala of its principal interest in the U.S. —the Gulf Coast Joint Venture for $434,576. Any surplus left over from the sale of Lennox'e remaining U.S. assets will be distributed to the company's present shareholders.

The largest holding in Lennox is 17.2 per cent beld hy the Edinburgh Oil and Gas company (USM quoted); Investors in Industry own 10 per cent; the Prudential 10 per cent; Edinburgh Investment Trust 7.8 per cent; Viking Resources Trust 7.1 per cent; the Life Association of Scotland 5.4 per cent, and Standard Life 5.4 per cent.

The Office of Fair Trading has indicated that the Secretary of State for Trade does not intend to refer the acquisition to the Monopolies end Mergers Commission.

Enterprise's share price remained stable yesterday on 168p.

Kent lifts BEP stake to 21%

The share price of the **Bristol Evening Post** rose 45p to close et 595p on news that Kent Holdings had increased its stake in the company again and now owns 20.85 per cent.

M P Kent, a property development company which owns Kent Holdings, was taken over hy Beazer last November. Kent Holdings first took a 10 per cent stake in BEP in July of this year and later increased the holding to 15 per cent in September.

Burmah gets in the mould with Yates wax

BY TONY JACKSON

Burmah Chemicals' $6.9m (£4.8m) purchase of Yates Manufacturing of Chicago, announced yesterday, is a classic example of a major development in the chemical industry worldwide — the move into speciality products.

Even for a comparatively small operation such as Burmah's chemicals division (whose operating profit last year was £7.4m on sales of £108m), Yates is not a large business. But in the world of speciality chemicals, that is precisely the point.

Yates makes just one product, a dark green wax which is used in the "lost wax" process of foundry casting. The market for this wax is worth only some tens of millions worldwide, but Yates dominates it. And according to Burmah — which is already number two, through its subsidiary Dussek Campbell —the market is growing hy 20 per cent a year in the U.S. and by 10 per cent in the UK and Europe.

The lost wax method, well known in antiquity, has been used in modern industry only since World War Two when Yates, then a make of dental mouldings, came up with a wax which solved the problems of casting the superchargers for Flying Fortress bombers.

The technique involves forming a wax model of the original pattern, then covering it with ceramic powder and firing it. The wax drips away, and hot metal is then poured into the ceramic mould.

For many years after the war the method was restricted to small and highly complex castings, typically in sophisticated alloys, lately, the technology has learned to cope with castings of up to a ton, et which point cheaper metals like stainless steel become feasible.

What makes the wax special, says Mr Brian Ridgewell, head of Burmah's coatings division, has a lot to do with its behaviour at high temperature. Normal wax when heated loses around 3 per cent of its volume. For precision castings work, the volume loss has to be effectively zero.

"There are between 15 and 30 components in the Yates wax," Mr Ridgewell says. "As a competitor, we tried to analyse it, but we could only identify two-thirds of the ingredients. We now have the full list, but even so we couldn't actually formulate it without seeing the recipe. The manufacturing is simple enough — what is complex is the alchemy."

This know-how barrier is a key part of the definition of a speciality chemical. Another part has tn do with the nature of the market. Mr Ridgewell says "firms like Pratt & Whitney (the eero engine manufacturers) will tell their suppliers they must use specified materials in making components. In the case of wax for castings, that means Yates wax. It's a hard market to crack."

For Burmah, the prospect is of expanding Yates' output and marketing effort. Yates has only one factory, in Chicago, and, remarkably enough, only one salesman worldwide. Burmah can offer manufacturing plants in the UK, Canada, Australia and South Africa, and a marketing network to suit.

But Burmah is also aware of the crucial danger in taking over small specialist operations — of overwhelming a profitable business with bureaucratic overheads.

"It will take a good year to find out what Yates is all about," Mr Ridgewell says. "For that year, I will be standing with arms outspread making sure our bureaucrats don't get anywhere near it."

COMPANY NEWS IN BRIEF

DAVIDSON PEARCE offer for sale has been 4.3 times oversubscribed. In total 5,150 applications were received for 22.2m shares, and allocations will be made on the following basis. Applications for 100 shares will be decided hy ballot. Applications for 200 shares and above will be allocated 200 ehares hy weighted ballot, up to applications for more than 1,500 shares which will receive 18.5 per cent of the number applied for.

ALLEBONE & SONS, footwear manufacturer and retailer, has suffered a pre-tax loss of £218,000 for the half year to July 31 1985, against profits of £258,000. The interim dividend is maintained at 0.25p. After tax of £14,000 (£108,000) stated losses per 10p share are 3.4p (earnings 2.1p). Turnover amounted to £7.51m (£7.25m).

BORDER & SOUTHERN Stockholders Trust had a net asset value per 10p share of 213.1p (196.6p) taking prior charges at market value. From earnings of 3.63p (3.52p), total dividends of 3.6p (3.3p) will be paid, with a final of 2.3p (2p). Net revenue for the year amounted to £3.59m (£3.49m).

HUMBERSIDE ELECTRONIC CONTROLS has received subscriptions for 3.76m (60 per cent) of its 6.26m rights issue, and the balance has been taken up hy the underwriters. The company's shares are quoted on the USM.

SMALLER COMPANIES Investment Trust's net asset value at September 30, 1985, was down at 83p against 91p et March 31, 1985. An interim dividend of 0.5p (same) is recommended. Earnings per share for the six months to September 30 were 0.84p (0.95p).

LOWLAND INVESTMENT'S nat assets per share, taking prior charges at par, rose from an adjusted 76.6p to 101.7p in the year to September 30 1985. The final dividend is effectively raised from 1.4p to 1.8p for a total of 2.8p (2.17p adjusted). Earnings per share were up from an adjusted 2.3p to 3.19p. After tax of £337,724 (£249,990), attributable earnings were up from £541,298 to £750,308.

J. O. WALKER, timber importer, reports a pre-tax loss of £86,000, for the six months to June 30, 1985, against a profit of £138,000. Turnover was £5.5m against £5.4m and loss per share is stated at 7.1p (10.7p earnings). An interim dividend of 1p (1.5p) is proposed.

THIRD MILE Investment Trust increased its interim dividend for the six months to June 30 1985 from 0.7p to 0.8p on net revenue of £56,014 against £42,074. Earnings per share rose to 2.34p against 1.75p.

DIVIDENDS ANNOUNCED

Lowland Invest	1.8	Dec 24	1.4*	2.8	2.17*
Highland Distilleries ...	1.42	Jan 7	1.24*	1.98	1.76*
High-Point	2.5	—	—	4	1.5
IBL ....int	0.4	Dec 12	—	—	—
Japan Assets	0.05	Dec 20	0.05	0.05	0.05
More O'Ferrall ......int	1	Jan 2	1	—	3.4
Third Mile Inv ......int	0.8	—	0.7	—	1.9
Wettern Bros ....int	nil	—	Nil	—	1

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. $ USM stock. § Unquoted stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Sanlox, British and American Film, English National Investment, First Charlotte Assets Trust, Harris Queensway, Lee Cooper, Walter Runciman, Scottish Mortgage and Trust, Silentnight.

Finals: H. J. Baldwin, Klark-Teknik, Precious Metals Trust, Wolseley-Hughes.

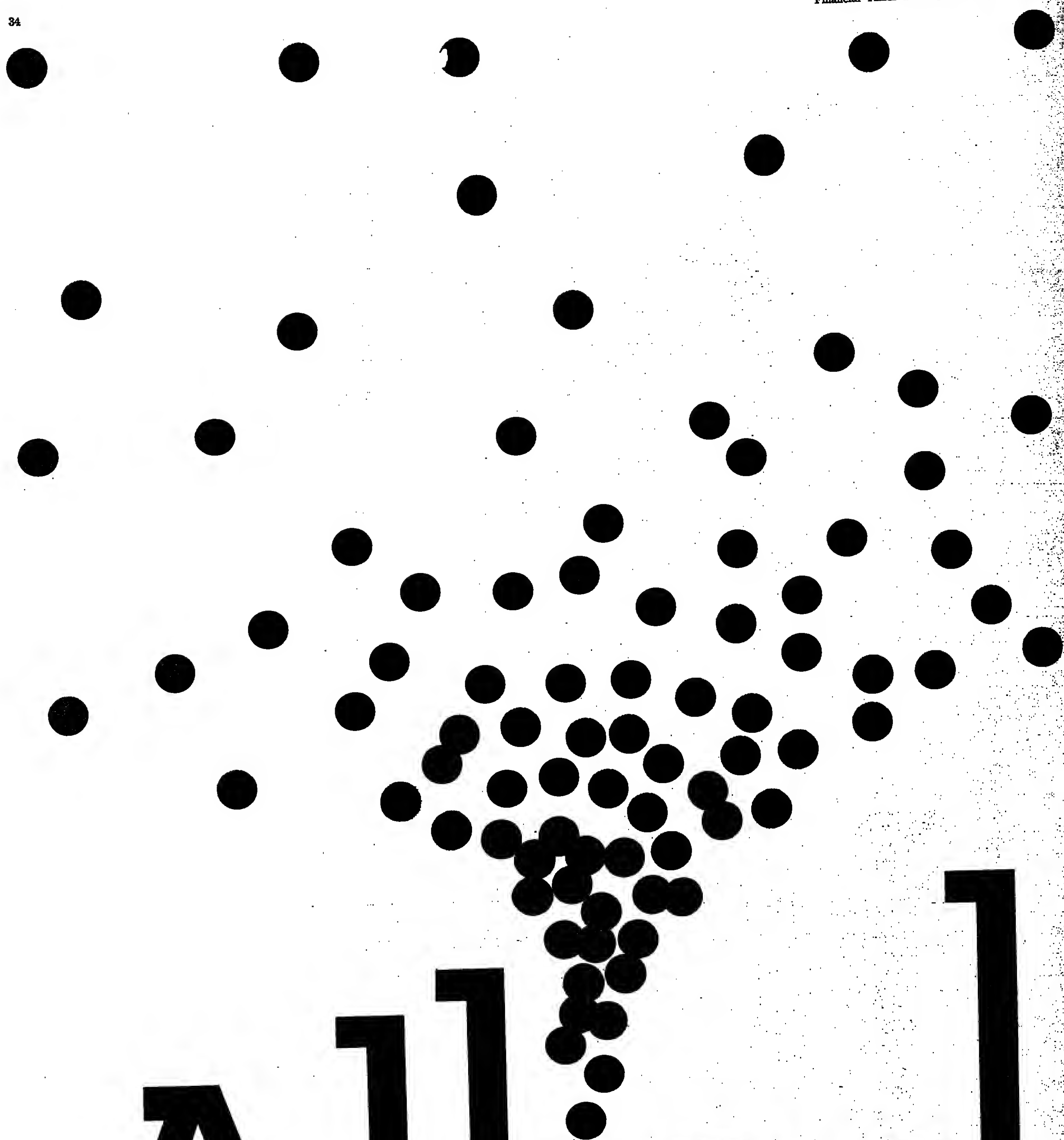
FUTURE DATES

Interims—

Anglo Indonesia Corporation ...	Oct 23
Capital and Counties	Oct 29
Costas Bros.	Oct 31
Eastern Produce	Oct 25
Gieves	Oct 25
Goldsmiths	Oct 28
Plantation and Gen. Investa. ...	Oct 23
Reed International	Oct 30
Richardsons Westgarth	Oct 28
Save and Prosper Return of Assets Invest. Trust	Oct 23

Finals—

Beazer (C. H.)	Oct 25
Castle (G. B.)	Nov 8
MEPC	Nov 27
Simpson (S.)	Oct 31
TR Pacific Basin Inv. Trust ...	Oct 24



UK COMPANY NEWS

More O'Ferrall falls and blames weakness in UK revenue

More O'Ferrall, the outdoor advertising group, reports a marked decline from £1.21m to £376,000 in pre-tax profits for the six months to June 30 1985. Turnover was down from £9.53m to £9.46m.

The interim dividend which absorbs £249,000 against £205,000, is held at 1p—last year a total of 3.4p was paid from pre-tax profits of £2.22m. Stated earnings per 10p share dropped from 3.3p to 1p.

Mr Russell Gore-Andrews, chairman and managing director, says the weakness in revenue and margins in the UK caused the drop in profits.

In France and Belgium, however, an increase in turnover was, in part, due to the reporting of IDE for the full six months. The purchase of 74 per cent of IDE prompted the directors to suggest that turnover and results might improve.

Increases in costs, including non-recurring items and adverse movements in currency exchange rates affected profitability in these markets.

He says that from May onwards, the group succeeded in achieving improved prices in the UK for its high quality products, and continued its control of costs.

Following More O'Ferrall's acquisition of the outstanding 50 per cent of Adshel, the integration of the two companies' operations in the UK has progressed according to plan with the reduction in overhead costs starting to become effective.

Mr Gore-Andrews adds: "We are enjoying in the UK, in both More O'Ferrall and Adshel, a substantial recovery in the second half which should, on current trends, lead to an increased group profit for the year as a whole."

First half operating profits came out at £342,000 against £918,000, and group share of profits of its related company was £197,000 against £343,000. The pre-tax figure was after interest charges considerably higher at £163,000 compared with £56,000.

Tax was greatly reduced from £517,000 to £173,000, leaving profits of £203,000 (£688,000).

Approach by Pavion to buy rest of Stanelco

Pavion International has approached its subsidiary Stanelco which may lead to an offer being made for the shares which it does not already own.

The announcement of the move accompanied the interim results from Stanelco, which suffered increased losses in the period to end-August due to price-cutting in a highly competitive market.

On turnover down from £726,000 to £547,000 the USM-quoted maker of high frequency process heating equipment suffered a loss of £70,000, compared with a profit of £46,000 last time.

The loss per 10p share came out at 5.1p, against earnings of 2.5p, with a fully-diluted loss of 2p (earnings 1p).

The adverse conditions experienced by the company and Thermex-Thermatron have meant that the terms on which Thermex was to be acquired were no longer appropriate and the transaction will not take place.

Markheath cuts halfway losses to £360,000

Markheath Securities, commercial and residential property developer, has reduced pre-tax losses from £458,000 to £360,000 for the half year to June 30, 1985.

Directors say that, as forecast at the time of a £7.3m rights issue in June, turnover of £5.73m (£1.3m) principally comprises the proceeds of sale of a development at Stratford for which provision was made in last year's accounts and which has not contributed to profit for the period. There is a significant and increasing level of interest being shown by prospective tenants in the development, say directors.

A second interim announcement, giving details of any interim dividend payable in respect of the 15 months to March 31, 1986, will be made in January. The group's accounting reference date has been changed to March 31.

Money raised through the June rights issue has enabled directors to continue with the development programme to take advantage of trading conditions.

Negotiations are at an advanced stage for the purchase of a number of sites which will form part of the development programme to 1990.

The directors confirm the profit forecast made at the time of the rights issue. They predicted a pre-tax profit of at least £1.4m for the 15 months to March 31 1986, about £300,000 of which would arise from rental income from investment properties.

Directors believe that letting arrangements concluded over the past few months should enable the group's profit to grow significantly over the next two years.

The group has 69,000 sq ft of offices let and being held as investments which will have an annual rental value of £713,000.

The group's development programme for the next two years has 72,000 sq ft of offices pre-let in varying stages of completion.

Loss per share was stated at 1.21p (3.01p).

FINANCIAL TIMES SURVEY

Tuesday October 22 1985

More challenges lie ahead for the ports as they grapple with competition from subsidised continental rivals. Looming over the Channel ports is the threat posed by a possible fixed link with France

UK Ports

Battle to lighten the costs burden

By ANDREW FISHER, *Shipping Correspondent*

IN THEIR modern, highly mechanised and automated form, ports in the UK are a far cry from the bustling, exciting and often romantic places they used to be until even a few decades ago.

Never especially renowned for efficiency and management flair, in the days when the country's maritime interests had real power in the world, they have had to adjust painfully to the economic and industrial realities of the post-1960s.

The structural changes they have had to undergo have been considerable and the real impact of these has often not been seen until later. The end of Empire, the steep rise in trade with the EEC; the effect of mass air travel on passenger traffic; the switch to containers for many general cargoes — all have left their mark on the industry.

Today, the ports face challenges just as great, and in one case even more so. The major uncertainty looming over some south coast ports, chiefly Dover, is the prospect of a fixed link with France. But ports all round the country share deep concern over growing competition from subsidised, but highly efficient, North European ports.

A number of executives in the ports sector are worried that Britain could just become an offshore island as far as cargo shipping is concerned. Their fears are not for the future of the remaining big UK companies like Overseas Containers Ltd (OCL), but for the routes by which goods find their way into Britain.

Most of the cargoes entering the UK come in foreign ships. Bnt there is nothing to stop these ships from unloading in such Continental ports as Rotterdam and Antwerp and transshipping containers on smaller vessels into the UK.

The end result, it may be argued, is the same. But the cost to British industry and the consumer is higher as a result of the extra handling and transport involved. Sharpening the issue is the feeling among many port managers that they are operating with one arm tied behind their backs. Other European ports do not have to bear the same cost hurden as those in the UK.

Thus, those in the industry tend to get very exercised about what sound on the surface like mundane issues: lighthouse dues, pilotage costs, and customs service. On pilotage, the Government seems prepared to act. But the ports reckon they receive a raw deal, compared to those in the Continent, in the way that costs of lighthouses and lightships are loaded straight onto shipowners.

"Ports elsewhere in Europe are seen as natural parts of the infrastructure," said Mr John Tholen, chief executive of Tees and Hartlepool Port. "All sorts of things are done in European ports that are not done in the UK." Government help with dredging and many other costs is common across the Channel.

"Our charges could be cut by 30 to 40 per cent, if we had the same support as other European ports," reckoned Mr John Black, chief executive of the Port of London Authority. But while the UK industry cannot influence what happens on the Continent, it would like the Government to act more forcefully at home.

The Government is still considering what to do over the vexed question of light dues, which cost shipowners coming into UK ports nearly £50m a year. A report commissioned by the Government from accountants Arthur Andersen recommended that the charges be reallocated so that tankers, bulk carriers and container ships pay less, and other users such as ferries and pleasure boats take up some of the burden.

But the British Ports Association has rejected this. It wants the dues cut immediately, and by a large amount. The BPA argues that the costs of coastal lighthouses and buoys should be borne by the Government, as on the Continent.

"Britain's system of light dues is a tax on ships using British ports which can amount to more than £20,000 per call for a large container ship," said the BPA, which represents all ports in Britain. But such a ship might have, say, only 400 containers on board for the UK.

"Charges of that sort, which can aggregate to well over £1m a year for a single line, and smaller charges for smaller ships, represent a real and dominant deterrent for the ship owner and have resulted in lost trade for some of Britain's larger ports."

It is one of the many problems which the Earl of Caithness, the new Shipping Minister, will have to ponder. Ports are also concerned at the effect of government spending cuts on customs, in the form of delays to cargoes. "The service is clearly under-resourced," asserted Mr Nicholas Finney, director of the BPA. "Morale is poor and we are very concerned about the impact on trade."

Despite this catalogue of woes, however, there are some very bright aspects to the ports industry. Felixstowe, the thriving container port on the east coast, is an obvious example of how timely investment, allied to the right geographical location, can help boost business.

For while the east versus west conflict in the UK industry has become rather a cliche, there is no doubt that ports nearer the EEC are best placed to benefit from the growing trade with the Cootinent. Liverpool and Bristol in the west, though very different in structure and tradition, have both had to struggle in recent years.

Felixstowe, being a newer port which grew from small beginnings, is also outside the National Dock Labour Scheme, which regulates mnch of the industry's labour. Thus it has much more management control over its own labour structure.

Although the scheme virtually guarantees registered dockworkers a job for life, if they want it, there has been plenty of restructuring. Thousands of dockers have taken advantage of generous redundancy schemes to leave the industry. And ports have rarely taken on new labour. "We haven't recruited for 10 years," noted Mr James Fitzpatrick, chairman of Mersey Docks.

Liverpool is one port that has had to adjust to the pull of geography, which has removed much of its trade to more southern ports. In past years, though not now, its labour record was also poor. Mr Fitzpatrick, however, feels that the facilities oo the Mersey, handling containers and a variety of other cargoes, have contracted as far as they need, and that the next phase will be one of expansion.

He is pleased with the progress made by the new freeport, though similar projects elsewhere, such as Southampton, have yet to take off properly. The latter's main port went through a major trauma of its own late last year, when it tried to push through a major cost-cutting programme so it could lower its charges to shipowners.

This it finally achieved, though not without container traffic being halted for some mooths. Southampton is part of Associated British Ports, privatised in 1983. Mr Keith Stuart, chairman of ABP, said productivity over the whole industry had moved up sharply, as labour had been shed and investments made.

"The ports industry is expanding not contracting." More cargoes are coming through, and ABP with its 19 ports handliog a variety of container and bulk cargoes — Immingham on the Humber is its major bulk port — has been seeing the results. Last year's dock strikes, said Mr Stuart, had shown that "no single port group is indispensable any longer." Customers had been able to switch to ports not affected.

The UK's major ports have beeo spending fairly heavily to keep abreast of new cargo-handling techniques. But there is pleoty of competitioo for their business. Great Yarmouth in Norfolk hopes to press ahead with a £45m expansion scheme to win container, roll-on/roll-off, and grain business. Chatham and the other Medway ports are also growing.

These ports do not see the proposed fixed link with France as a major threat. But many in the industry, including the BPA, feel that the Governmeot has not properly assessed just how a fixed link would affect the economy, especially in the ports and shipping companies. Even so, some see it as a challenge. ABP recently took a stake in the Euroroute consortium.

Ports with largest total traffic

(m tonnes)	1984	1983
Sullom Voe†	59.7	54.3
London	48.1	46.9
Tees/Hartlepool	32.6	33.8
Milford Haven†	32.1	30.7
Forth†	29.8	28.8
Southampton	27.4	25.3

† Mostly crude oil

Source: Department of Transport, British Ports Association

Top UK bulk cargo ports

m tonnes	1984	1983
London	10.66	14.03
Tees and Hartlepool	8.51	6.80
Port Talbot	6.66	5.73
Grimsby/Immghm.	5.59	8.57
Liverpool	4.73	4.36
Clyde	3.87	3.70
Southampton	1.97	1.98

Main bulk cargoes are grain, ore and coal. Source: Department of Transport, British Ports Association.

Still a force to be reckoned with

Labour

DAVID THOMAS

SEEING DOCKERS last year crossing picket lines of the Transport and General Workers' Union was a demonstration of how much industrial relations have changed. For the traditionally loyal and militant dockers to ignore their leaders was in many ways more surprising than the treetment which the Nottinghamshire miners gave Arthur Scargill.

Yet the dockers were not humbled to the same extent as the miners by the events of last year. True enough, the second strike crumbled in September with the TGWU in disarray, yet the largely solid earlier stoppage in July showed that the dockers were still a force to be reckoned with.

At the height of the July stoppage, the Confederation of British Industry warned that three quarters of its member companies would be laying off workers within four weeks. A survey by the Institute of Directors revealed that Britain's boardrooms feared the dockers more than the miners. There was much talk of an industrial giant beving woken from its slumbers.

Though the dock strikes finally ended in bumiliation for the TGWU, their aftermath has not been marked by the decisive increase in management's freedom of manoeuvre seen in the coal industry. Indeed, the Government still appears too worried by the letent industrial power of the dockers to sweep away the greatest block on the port employers' freedom to manage—the statutory national dock labour scheme.

The scheme detes back to 1947 when the post-war Labour Government legislated to end the casualisation in the industry which had meant dockers queuing each day outside port offices on the offchance of work. The result now is a series of statutory local and national dock labour boards, composed jointly of employers and unions, which control the deployment of dockers and reduce almost to nil an employers' ability to declare compulsory redundancies.

Understandably, the TGWU is deeply committedto tha scheme. In an ideal world (from its point of view), it would like the scheme extended to the many ports, like Felixstowe—too small to be included when the scheme was devised—which have now blossomed into significant traders. However, there is no chance of that under this—and, perhaps, any other—Government.

Failing that, the TGWU reacts with immediate threats of a national dock strike whenever there ere official mutterings about abolishing the scheme. Encroachment on the scheme was the reason given by the union for last year's strikes, though others thought the TGWU's wish to help the miners was the real cause.

Yet the dock labour scheme has not prevented e continuous cut in the number of dockers, brought about by an equally constant restructuring of the industry. The number of registered dock workers peaked at 82,500 in 1951; 12 years ago, it was down to 41,000; the latest figure is 12,150, half what it was five years ago.

The main pressures shaping these job cuts have been at play for many years. Tha container revolution, with roll on/roll off replacing the old labour-intensive methods of handling general cargo, is the most important. Crucial, too, bas been the switch of trade away from the deep sea ports like Liverpool to docks on the south and east coast, like Dover and Felixstowe.

These pressures are still at work. Some Third World trade, from Sonth American and African countries, for instance, is still to be containerised. Changing patterns of trade are a constant backcloth to tha demand for dock labour in individual ports, with the move to transhipment through the ferry ports to ports like Rotterdam and Bremen an important factor at present.

There have been significant shifts too in the trade patterns of bulk commodities like grain, coal and oil. Loss of these bulk cargoes means e significant drain on revenue for a port, and bence a reduced ebility to carry surplus labour.

The result, from the employers' perspective, has been the need to whittle away continuously at the numbers of employees. There have, of course, been variations within this general pattern. Some of tha smaller ports, which can often respond more quickly and flexibly to customer requirements, look poised to start recruiting.

Conversely, there have been sharp productivity surges at some large docks. Southampton, long regarded as particularly over-manned, is a case in point. A dispute there ended in January with pay cuts, the loss of 300 dockers' jobs and lower manning levels on each dock gang. Associated British Ports says it bas been able to cut prices at Southampton by abont a quarter in consequence.

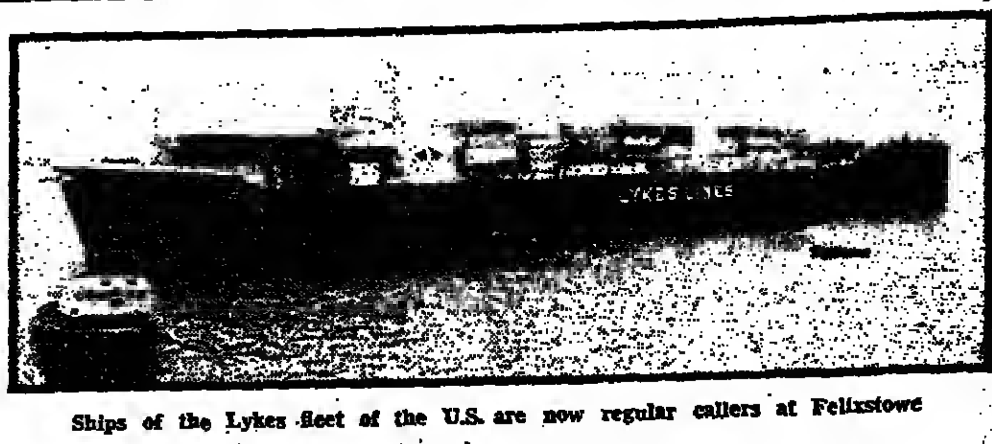
Yet for most ports, there seems to be little scope for major productivity gains. The precondition for that, employers say, is the abolition of the dock labour scheme. The employers suggest that tha schema adds abont 12 per cent to costs compared with non-scheme ports.

The Government's reluctance to abolish the scheme is doubly ironic. Its employment policies stress the need to remove rigidities in the labour market; yet the scheme is a prima example of such a rigidity. The docks strikes were finally seen to have eoded in failure for the TGWU; yet their very occurrence seems to have dissuaded ministers from tackling the scheme.

Instead, the Government has recently agreed a generous package of financial aid which will help fund the consequences of the scheme for the next 2¼ years. Besides wiping out past debts, the Government will fund 100 per cent of future severance costs up to March 1986; 75 per cent in 1986-87; and 50 per cent in 1987-88.

Agreement on this funding has allowed port employers to restructure the voluntary severance arrangements for dockers. In future, a docker will be able to take a lump sum of up to £25,000 or commote part of it on favourable terms into a weekly income payable until normal retirement age.

Together with an improved pension scheme, the new arrangements are designed to prove more attractive to dockers thinking of leaving the industry. Employers are looking for about 2,000 more voluntary redundancies over the next 2¼ years. If they fall much short of this figure, the question of ebolishing the scheme altogether will no doubt be back on the agenda.



Ships of the Lykes fleet of the U.S. are now regular callers at Felixstowe

The vital lifeline

Infrastructure

MARJORY GILLIES

IN SHIPPING, to a greater extent than in many other indnstries, time is money and a cargo delayed at a port can prove to be a costly liability.

A load stranded at the quayside bas a greater chance of being pilfered or of its ownership becoming confused amid the intense activity of busy ports. Time spent at the dockside is time wasted, and a port which can offer facilities to send a load on the next leg of its journey quickly is more likely to attract nsers, in a market where customers are increasingly looking for a door-to-door service.

The most reliable way of protecting a cargo is to get it to its destination as quickly as possible. In the quest for this goal, road and rail links are vital. An efficient infrastructure can transform a port from the obscurity of a quiet fishing backwater into a thriving centre of international trade.

Snch a transformation is being realised in Humberside, where improved communications have unlocked trading potential for the area.

The Humber Bridge is at the forefront of improved communications in the North East. Built in 1981 at a cost of $125m. and bailed as the world's longest single span bridge, it bas been dubbed by its critics as an expensive white elephant. Tor Lloyd, bowever, cited it as one of the factors which persuaded the company to use Immingham for its container and roll-on/roll-off services.

With the new bridge, it now takes about a quarter of the previous time to get from Grimsby to Hull by road; and the surrounding motorlinks complement this facility. This M62 provides e direct road link with the west coast and from here the M6 gives easy access to Scotland.

The M180 and M18 have increased Immingham's catchment area to include East Anglie nad Lincolnshire, and companies are beginning to take advantage of the port's central position.

Britannia Gas, a subsidiary of the National Freight Consortium, has established a terminal at Immingham from which to distribute its product nationwide. There are also quayside rail links to the national network.

On the west coast, developers are also doing their best to emphasise the benefits of the various ports' central position and good road links. The M55 motorway has made the port of Fleetwood more accessible, and improvements to the A585 have relieved congestion.

Liverpool is ideally placed to take advantage of the M6 and M62, while the Mersey Docks and Harbour Company has invested "a five figure sum" in reconnecting deep water berths to the national rail network. The link will extend directly into Liverpool's freeport.

Whereas the improvements to the infrastructure of the country's western ports appear small and piecemeal, the changes being wrought in the south east are revolutionary by comparison.

Felixstowe promises to be the best connected port in the UK, but is only just beginning to shake off the traces of disruption which inevitably accompany major road and rail alterations. The elegant Orwell Bridge is probably the most significant development of recent years, and allows freight to avoid the bottlenecks and one-way systems of Ipswich.

From bere there are fast roadlinks via the A12 to London, and A45 to Cambridge and the North—although the A12 still tends to become more congested the nearer it gets to London, and Chelmsford becomes a bold up for traffic during rush-hours.

The latter problem should be remedied in the autumn of next year with the opening of the Chelmsford by-pass.

East Anglia also now boasts mnch needed sophisticated rail links, with electrification of lines from Liverpool Street to Ipswich and Harwich. That from Harwich, with its steady stream of continental passengers, will doubtless benefit the port, while the Felixstowe/Ipswich link remains an uncomplicated, single track.

At present Felixstowe carries 32-35 per cent of its freight by rail, but e new rail link with re-signalling improvements could allow the port to carry 300,000 containers by rail each yeer.

If the east coast ports have sought to develop their infrastructure in a conventional manner the Port of London Authority has chosen more exotic ways of enhancing its appeal to customers. In this it has been encouraged by the London Docklands Development Corporation, whose ambitions for tha area appear to know no bounds. The Corporation's image of a new dockland includes a highly sophisticated railway system, canal links, a STOL (short take-off and landing) airport, and a new river bus.

At present the only innovation is a Dockland Clipper which provides a quarter bourly service from Mile End to Island Gardens.

The controversay which surrounds the development is evident in the seventeen-week public inquiry into the STOLport. The future of the Corporation'a plans for road links depends on whether public support for the venture is forthcoming. A less nebulous improvement for the port is the new M25 which eases the confusion of routes which converge on the capital.

One such route is the new M3 linking Southampton to London. The docks themselves are connected via the M271 to the northern route, and to the eastbound M27. Southampton has also benefited from improvements to the M34 which should help communications with the North and Midlands. In addition ther are direct rail links into the Eastern and Western Docks, with two Freightliner terminals.

Further east along the South coast, Folkestone has direct access north to the M20, while Dover has to make do with the A2. The London to Dover route has something of a reputation for bottlenecks but its advantage lies in the fact that it is only one and a half hours from London by train.

Marjory Gillies is a staff writer for Seatrade.

Advanced computers come into play

Equipment and Technology

ALAN SMITH

THE RECENT history of cargo handling technology in UK ports has been characterised by two distinctive revolutions in shipping and port operations. The marine container, which effectively unitised general cargo in standard 20 ft or 40 ft boxes, did away with the old cargo sheds, the rows of creaking five-ton jib cranes and replaced them with acres of open space and dedicated unit-handling terminal equipment.

At the same time, the introduction of large bulk carriers ranging up to 200,000 dwt and beyond led to the establishment of purpose-built terminals and equipment for bandling vast volumes of coal, iron ore, grain and other bulk commodities.

The UK's ports reacted very quickly to these changes in cargo operations procedures, particularly in terms of equipment deployment, and can now boast facilities that match any in the world today.

Moreover, some ports are currently at the forefront of developing and installing the most advanced computerised control and operations systems in existence.

Turning first to the dry bulk sector, it should be remembered that in terms of industrial rew materials traffic, UK ports have played a minor role compared to the state steel and power industries.

Nevertheless, most ports offer small multi-bulk facilities featuring grab unloading equipment and conveyor shiploaders for handling a variety of dry bulk imports and exports. In this type of environmeot, sophistication bas never been a prerequisite.

In contrast, the British Steel Corporation (BSC) and the Central Electricity Generating Board (CEGB) between them are installing some of the most efficient bulk bandling equipment available.

BSC's main iron ore and coal receiving terminals at Hunterston, Redcar and Port Talbot can receive some of the largest and have high capacity grab cranes and storage yard stackers and reclaimers to cope with any cargo volumes required.

However, at Port Talbot, BSC has just completed installing a sophisticated continuous mechnical ship-unloader (supplied by the UK's Babcock Moxey) capble of discharging iron ore at 3,000 t/h (tonnes per bour), and coal at 1,500 t/h

Likewise, the CEGB is now commissioning one of the most sophisticated 1,000 t/b mechanical ship-unloaders to bandle coal at its Tilbury "B" power station on the Thames.

This UK-built Simon-Carves machine will join two other Swedish Siwertell continuous unloading units that were recently installed at the CEGB's West Thurrock and Kingsnorth generating stations for handling coal at 1000 t/h.

While the state sector has led in the handling of industrial raw materials, it is private investment that has boosted the UK's highly advanced grain handling port facilities. The recent bumper grain barvests have led to the conversion of many import silos and berths into export facilities.

Redler of Gloucestershire has been involved in such controversial projects at Southampton, Cardiff, Tilbury, Ipswich, Newcastle and Hull in tha past two years, installing new shiploading, conveying, elevating and storaga systems.

Investment in grain installations has also included the construction of terminals and equipment. For example, the Forth Ports Authority built a deep sea grain export terminal at Leith, Cargill UK officially opened an extension to its export facility at Hull during October 1984, and Tynegrain/Bunge and Co. opened a major storage and distribution base in the Port of Tyne.

The latter two terminals demonstrate the degree of sophistication which has been reached at UK bulk handling ports. At Hull, intake, storage and outloading operations are computer controlled. These computers record each delivery contract and update the contract as lorries are checked in, as well as recording the stock level in each of the bins.

At the Port of Tyne, Richard Simon & Sons has installed modern grain weighing and measuring technology, inclnding electronic loadcell weighing and high-speed microprocessor systems for data bandling.

However, it is in the context of container handling operations that computer technology has made its mark on UK ports. Perhaps the most advanced systems in this field are employed at the Port of Felixstowe, which arguably leads the world in such technology. Felixstowe Dock & Railway Company began using its Direct Trader Input (DTI) system in January last year, to allow over 160 agents to make their own Customs entries direct to the Customs computer located at Harmondsworth near Heathrow.

The second phase is going ahead under which a complete inventory control will provide a detailed record of the identity and status of both imports and exports from the moment a record is created until the cargo leaves the dock area.

So successful is the system that the nearby Port of Harwich decided to link-in to Felixstowe's so-called FCP80 computer network. Moreover, an associatd ship planning system is also under development. This will link into the existing cargo control system at Felixstowe's main container terminals.

The Port of London has invited tenders for the development of its own system by April 1986, while the Port of Southampton intends to have its ICL computer based ME29 system in place by the end of October, and a joint system is expected to be inaugurated for Dover and Folkestone next summer.

Investment in computer technology at certain terminals bas followed on from a long period of beavy investment in efficient and highly sophisticated bandling equipment.

Indeed, the UK was one of the world's pacesetters in introducing large fleets of container handling and stacking straddle carriers to back up an ever-increasing number of quayside ship-to-shore gantry cranes.

Once again, however, it was the privately owned and operated Port of Felixstowe that started a worldwide trend in storage yard container handling by completely phasing out its straddle carrier fleet and replacing it with wide-span yard stacking gantry cranes fed by tractor/chassis combinations.

The rubber-tyred park gantries are now the mainstay of several major container terminals at Felixstowe, Southampton and Ipswich. Even where the straddle carrier has remained the dominant yard equipment, such as at Liverpool, Tilbury, Clydeport and some parts of Southampton, the terminal operations and control systems have been upgraded to maximise performance levels.

Nevertheless, developments are still continuing in the container bandling field, especially for being abla to accommodate the latest generation of super containerships entering service.

Herbert Morris, the Loughborough-based crane manufacturer, is working on a £10m order from the Port of Felixstowe to supply a series of ship-to-shore container cranes for the new Trinity terminal. These units are each capable of lifting 40.6 tonnes, will bave a boom outreach of 45.7 metres and a lift speed of up to 50 metres per minute.

The cranes will incorporate a network of programmable logic controllers (PLCs) as a step towards partial automation of crane drive functions; and it is likely they will feature a computer-aided condition monitoring system.

UK ports have invested beavily in advanced equipment and operations systems to obtain the maximum improvements in prodnctivity. In many respects, these ports are generally in e state of dire overcapacity when comparing their combined bandling capabilities with total UK cargo traffic. Navertheless, to ensure retention of cargo share and to increase their business, investment will undoubtedly have to continue and further developments undertaken.

Alan Smith is editor of Bulk Systems International.

Adapting to meet harsher conditions

Cargo Development

ANDREW FISHER

THE 1980s are proving o hard decade for the world's shipowners. Survival has been the order of the day, as companies in the tanker, bulk carrier, container, and cruise sectors have battled against a background of slackening trade and chronic over-supply.

The tribulations of the tanker market have been well documented. Now it is bulk carriers which are going through one of their roughest periods ever, whila the container operators on liner (scheduled cargo) routes face a steady rise in capacity which is causing rates to plummet.

For tha ports, the problems of the shipping industry by no means spell disaster. It is cargo volumes and tha strength of international trade which mostly datermine their prosperity and not the number of ships afloat.

Last year, the volume of world trade grew by nearly 9 per cent. But only two-thirds of the increase in total trade was seaborne, noted the latest review of Lambert Brothers Shipping, prepared by Lev Sychrava Associates and Maxwell Stamp Associates.

In fact, it added, tha proportion of world trade carried in ships has been decreasing for some time. The debilitating conflict between Iran and Iraq has had a severe impact, causing trade to be diverted to pipelines and roads. A good deal of trade between European countr\s goes overland. Coal and oil shipments have been displaced by trade in electricity via linked grid networks.

For this and next year, the Lambert Brothers report is not over sanguine. Trade volume growth in 1985 could exceed 6 per cent, with trade in manufactured goods possibly rising by just over 8 per cent. But for 1986, with the strength of the U.S. economy on the wane, only 3 per cent, at most, is forecast. Purchases of goods by the world's second, third and fourth biggest importers—West Germany, Japan and the UK—will not significantly offset the weaker pull from the U.S.

Because of the variety of cargoes handled by UK ports and the multiplicity of home, European and other markets served by their shipping customers, it is impossible to say clearly how these trends will affect the industry. Port managers, however, are well aware that they have to adapt, either through investment to attract new business, possibly in cargoes they have not handled before, or by trimming back to meet harsher maritime conditions.

There are some good illustrations of this in the container sector. Southampton pushed through e drastic programma of cost and employment cuts late last year, suffering extensiva problems with its labour force as a result. But the tough competition on world container routes, with major foreign lines expanding fast, meant the south coast port had to put its house in order.

Even with its natural advantages of location and tide, the port was less attractive to its regular users than it might have been. Its charges were far higher than those of Felixstowe and its container-handling efficiency was lower. Under the deal struck with the workforce in January, productivity has risen and charges have been cut by around a quarter.

Felixstowe, the largest container port in Britain, is nearly bursting at the seams and is well under way with a £47m expansion project to take the new business it expects in tha next few years. Both ports are in competition with such big northern European centres as Rotterdam and Antwerp, which benefit from o high level of government financial support. Zeebrugge, the Belgian port which is Felixstowe's nearest rival, is also spending heavily on expansion.

By the early 1990s, Felixstowe reckons it will need more room. A special bill is being piloted through Parliament to allow the port to extend its boundaries. "This will give us a 10-year land bank," said Mr Geoffrey Parker, the port's chairman. Felixstowe is not expecting growth to match the fourfold rise it has seen since 1970, but argues it will need extra space simply to cope with growth of only 3.5 per cent a year from present customers.

Its Suffolk location means Felixstowe is in just the right place to deal with the volumes of trade passing between the UK and the rest of Europe. Over the years, it is the south and east coast ports that have tended to prosper most. Dover, the major passenger port in the world, handles a vast amount of roll-on/roll-off (ro-ro) traffic to the near European ports.

Though it ranked ninth in terms of weight among cargoes handled by UK ports last year, it was first by value. It, too, is investing heavily in both new passenger and freight facilities, though it remains to be seen how much effect a possible fixed Channel link will have on its activities.

Despite last year's two dock strikes, a record 445m tonnes of freight were handled by British ports, some 18m tonnes or 4 per cent more than the previous high in 1983. Foreign traffic was 27m tonnes (10 per cent) higher at 285m. The coal strike certainly had an impact: imports of petroleum products doubled, accounting for 14m tonnes of the increase.

Coal imports also doubled to 10m tonnes, but exports were down by 5m. Largely because of the effects of the coal dispute on coastal shipping, total domestic traffic fell by 9m tonnes (5 per cent) to 160m. Container and ro-ro traffic, most of it to and from foreign ports, continued to rise, reaching 55m tonnes, around 4m tonnes (7 per cent) more than in 1983.

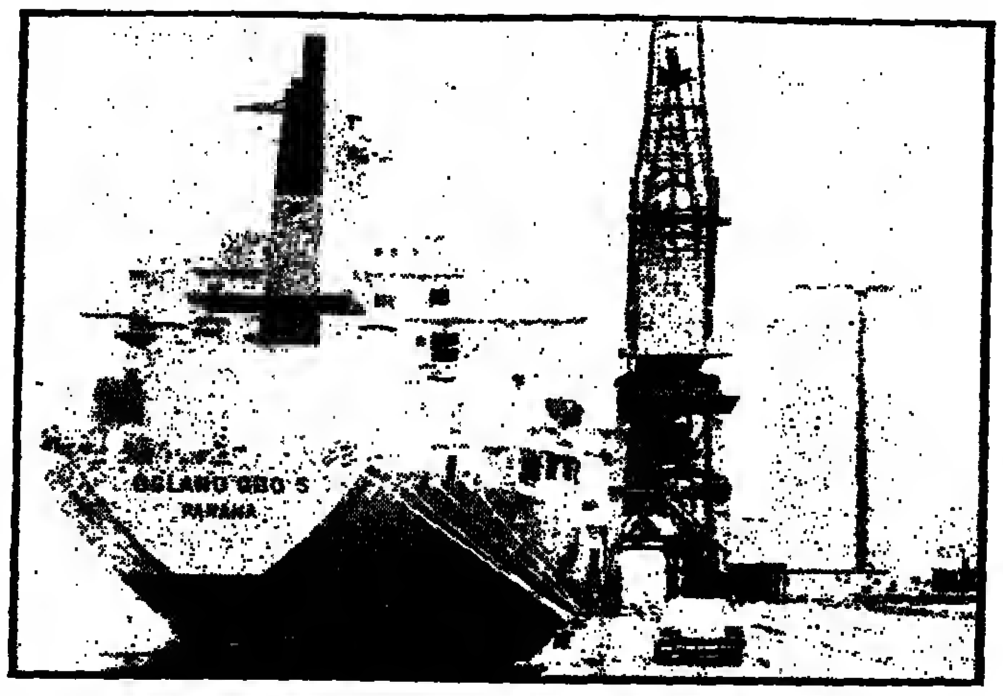
Half tha trade by value was with EEC countries, and 45 per cent by weight. The other main trading areas for the UK were Scandinavia and tha Baltic region, and North America. Overall, Sullom Voe in tha Shetlands, was the British port handling the largest tonnage (almost all in oil products) by virtue of its position at the edge of the North Sea. It handled 60m tonnes, o 5m rise. London followed with 48m, up by 1m.

Many UK ports reported a more than usually quiet summer this year. But the pre-Christmas build up should see them approaching full stretch soon.

The disappearance of much of Britain's manufacturing base since the late 1970s has certainly affected ports' trading patterns.

Liverpool, for instance, does a thriving trade in scrap metal and machinery, a sad reflection of the decline in the size of industry but profitable for the port. The tough world competition faced by the country's oil, chemical and steel industries, notably from developing nations, has forced Tees and Hartlepool, the third biggest port with 33m tonnes a year, to rethink its strategy.

While its main business will still be bulk commodities—it handles Europe's biggest bulk carrier, British Steel, which brings in iron ore—the port is seeking new ro-ro and other business. Other UK ports are also finding they have to be fast on thair feet.



A bulk carrier loading feed barley at Southampton for shipment to Bahrain

Fixed link factor upsets calculations

Passengers

ANDREW FISHER

TO MANY people, ports still mean passengers. They remember the grand UK maritime tradition, with huge liners, under the names of Cunard, P&O, Shaw Savill, and Union Castle, sailing to the far corners of Empire and other parts of the globe.

But all that has gone, even though the big passenger liners kept going until well after 1958 when a jet airliner flew across the Atlantic for the first time. Older ships have been gradually taken out of service and newer vessels have been built solely for the holiday cruise market.

The QE2, launched in 1967, harks back to the days when people had to travel by sea. She now crosses the Atlantic more than 20 times a year to serve those wishing to make the journey in a more leisurely way than by air, but she also sails as a cruise vessel.

Both Cunard, part of the Trafalgar House group, and Peninsular and Oriental Steam Navigation (P & O) operate sizeable cruise fleets but most of their vessels operate beyond the UK, mainly in the Caribbean and off the U.S. west coast to serve the large and affluent North American market.

Southampton is still host to the big passenger vessels of those two companies which serve the European market. The QE2, Canberra and Sea Princess are all regular callers there. At Tilbury, in Essex, the Port of London has revamped its passenger facilities to attract more cruise ships.

These days it is the ferry business which is at the heart of the UK passenger market. Dover is the port handling the bulk of the traffic to and from the Continent, with Sealink UK, Townsend Thoresen (part of European Ferries) and Hoverspeed its main users.

The number of passengers travelling to and from tha UK has been static in the past few years, showing a small rise to nearly 27m in 1984 and slipping back to 26m last year. More than half of these went through Dover.

The most popular destination is France. Dover, which continues to spend heavily on modern passenger and freight facilities, has seen a significant trend towards more coach traffic both to and from Europe in recent years.

Other ports, like Ramsgate (part of the UK operation of Finland's Sally Line) and such Sealink UK ports as Harwich, further up the east coast, are also spending money to attract new customers, mostly on the freight side.

This year, however, all calculations of the market's future have gone awry as the result of a new and disturbing (for the ports industry) factor: the prospect of a fixed link across the Channel to France. This could cream off much of the traffic.

At this stage, it is still not known what sort of link, if any, will be chosen. Certainly, the port and ferry industries have made no secret of their extreme scepticism towards the idea. They have set up a special organisation, Flexilink, to put the case against a fixed link project to MPs and the public.

The industries are countering the proponents of a link with two basic arguments. Firstly, a fixed link will have so much capacity as to leave very little over for tha sea routes. And secondly, if a fixed link proves not to be viable, it could be sold on to another operator, or Government body, and operated more cheaply to the detriment of the ferries.

UK stockbroking firm Phillips and Drew wrote in a study this May: "It seems difficult to justify the expense of a Channel tunnel, given the relatively small benefits that are likely to arise as a result of its construction."

At Dover, investment is still going ahead as the port calculetes that it will still need modern facilities for the rest of this century and that even if a link is built, it will be up to a decade until it is ready. Even then, there should be plenty of business to chase.

For not everyone wants to travel under the sea, or send their goods on a stream of lorries through a tunnel. The total cross-Channel market in 1985 should be around 5m freight and passenger vehicles, according to the British Ports Association (BPA). This is likely to double by the year 2000.

A BPA working party reckoned that the capacities of tha three main fixed link projects would be: Euroroute (tunnel and bridge), 29m vehicles a year; Eurobridge, 88m; and Tunnel, 105m. Thus they would all operate well below capacity, based on the future traffic projections.

"British ports are not afraid of free competition," said the BPA. "What they are afraid of is the probability that once constructed, a fixed channel link could not, politically, be allowed to fail commercially." Subsidies could well come into the picture later, either in the UK or France.

The big ferry companies like Townsend, which bought tha loss-making P & O Ferries' cross-Channel operation in January, and Sealink UK, part of Bermuda-based Sea Containers since last year, are still contemplating big new ships for the Dover-Calais run. But the possibility of a tunnel has certainly given a fierce twist to their calculations.

UK PORTS 4

Andrew Fisher looks at the performance of Britain's major ports

Heavy spending on expansion

Felixstowe

ONE OF the UK's fastest growing ports and its major container-handling terminal, Felixstowe is currently in the throes of a costly expansion programme. This year, it will break through the 500,000 container mark, having boosted its 1984 total from 476,000 to nearly 496,000.

Owned by European Ferries, the Suqolk port is spending £47m on its new Trinity terminal, due to atart operations next year. It also has a hill in Parliament seeking approval for a further major expansion, which would cost around £100m.

Felixstowe is host to a number of the world's major container shipping lines sueh as Evergreen and Yang Ming of Taiwan, United States Lines, and Sea-Laud of the U.S. Lykes Lines, another U.S. company has just moved its SEABEE (sea barge carrier) service there from the port of London. Huge barges, carrying containers or other cargoes, are stowed onto the mother ships.

The port, which last year made profits after tax of nearly £9m, employs 1,700 people. Its dockers are not in the national dock labour scheme, which effectively guarantees those at many other ports a job for life, thongh many have taken advantage of severance terms.

With Southamptoo'a dockers back at work after the lengthy dispute over eost and manning reductions, "there is another competitor in the ring," says Mr Geoffrey Parker, chairman of the port of Felixstowe. But be is more worried about subsidised competition from continental ports.

Like Southampton and Tilbury, the Suffolk port is well situated to serve Britain's growing trade with the EEC. With Evergreen now operating a round-the-world container service, the port is aeeing far more business. Hence the expansioo drive. Evergreen accounts for ahont 7 per cent of Felixstowe's activity.

Between 10 and 15 per cent of the port'a business comes in the form of cargoes transshipped from higger ships. "We should like to get more of that," says Mr Parker.

Improvements to road and rail links are nnder way or planned, which will put the port in a strong position to gain new customers. As well as Lykes, both Hoegh-Ugland Auto Liners, with a roll-on roll-off service and NECOL (Near East Container Lines) have moved to Felixstowe.

Fixed link threat

Dover

If a Channel tunnel, bridge or combination of the two is built, Dover Harbour Board will be a major sufferer. Now the world's busiest ferry port, with some 14m passengers a year, it has nonetheless been spending heavily on new facilities and plans to invest up to £200m in the next 15 years.

Mr Jonathan Sloggett, the port's managing director, is in the forefront of efforts by harbours and ferry companies to counter arguments in favour of a fixed link. He asserts that such a project is unnecessary, too costly and would have enough capacity to take the whole cross-Channel market.

But whatever happens to the big ferry companies' plum Dover-Calais route, he reckons Dover will still need to invest to attract new business and try to hold on to what it has.

Last year, it opened a £9m coach passenger terminal. It is spending £1.5m this year on a new fast food and shopping area, £1m on a freight drivers' complex, £6m on further land reclamation, and £5m on adding a floor to its passenger vehicle handling complex.

There are also plans to modernise rail freight facilities. So far this year, freight business has expanded with roll-on/roll-off traffic some 6 per cent higher in the first eight months. But passenger traffic has fallen off slightly by just nnder 1.5 per cent to 9.8m people.

Dover's management professes not to be worried about so small a passenger decline. There does seem to be a trend among holidaymakers to go increasingly for the so-called shoulder periods on either side of the peak July and August holiday months.

Pre-tax profits at Dover, the only one of the original Cinque ports still with a significant operation, rose last year from £6.6m to £7.2m. It employs just over 900 people.

The port's main users, Sealink UK and its Continental partners, Townsend Thoresen (part of European Ferries), and Hoverspeed, the hovercraft operator, all plan investments in new craft.

Certainly, a fixed link will fundamentally alter the position of Dover in the cross-Channel market. While some cargoes would be lost to a tunnel or bridge, others would remain. Not all of the 14m people who cross via Dover each year would relish being in a tunnel for np to 20 miles. Nor would cargo shippers and forwarders want to put all their traffic onto lorries.

Set to return to the black

Southampton

SOUTHAMPTON, part of Associated British Ports, has picked itself up again after the traumas of the prolonged labour dispute which stopped container handling between last October and this January.

One of the leading container ports in Britain, Southampton was also among the costliest. The management's drive to lower costs and staff, in both of which it has now succeeded, caused the dockers to refuse shift working.

Because of the disruption as a result of the dispute—other cargoes and the cruise ships were not affected—the port made an operating loss of £6m last year. But this year, with its efficiency up sharply and its workforce down from 2,400 to 1,400, Southampton is set to return to the black.

Its major customers have returned and the port has reduced charges to them by some 25 per cent. This puts Southampton on a par with Felixstowe. Both the Trio consortium of lines serving the Far East and the Southern Africa Europe Container Service (SAECS) had to use other ports during the dispute.

Southampton is not just a container port, however. It also handles big cruise ships such as the QE2 and Canberra, wine imports, grain and car shipments. Its natural advantages are considerable. The port has a maximum tidal flow of only two knots and a so-called "double tide" which gives over 17 hours of rising and high water every 24 hours.

One result of the container-handling dispute was the mothballing of the Mayflower terminal, a joint venture with the C.Y. Tung group of Hong Kong which was to have provided a £5m facility. But with its lower charges, estimated to save the Trio lines some £3.2m a year, it is in a better position to attract new business. Norasia is the latest new container customer.

Shipping is not the only big business at Southampton. ABP this summer announced a £50m property venture on 50 acres of the port in partnership with Rosehaugh. This will be one of Britain's largest urban renewal projects, providing a waterside village with a marina for up to 600 boats, restaurants, shops, houses, studios and offices.

There is one area in which Southampton has not yet been successful. Its freeport, one of six in the country, has been stymied by a labour dispute, with dockers claiming that they should handle goods in the compound instead of contract labour.

Whether or not that problem is resolved, ABP is pleased with the way in which the potentially damaging container disruption at the port was resolved. With fierce competition and a growing surplus of tonnage on major routes, Mr Keith Stuart, chairman of ABP, says companies are no longer prepared to pay a premium to use Southampton. "Owners are under great pressure on freight rates and cannot afford the luxury of paying too much."

Top UK container and ro-ro ports

(m tonnes)

	1984	1983
Felixstowe	8.40	7.53
Dover	8.39	8.00
London	3.97	4.02
Southamptoo	2.87	3.31
Grimsby/Immingham	3.09	2.77
Harwich	3.47	3.13
Ipswich	2.35	2.24
Hull	2.23	1.88
Liverpool	1.86	1.92

Source: Department of Trade, British Ports Association.

Right role is found

Liverpool

LIVERPOOL IS a port that has had to come to terms with a radical drop in its business, as the emphasis in Britain's foreign trade has switched increasingly to the rest of Europe and hence to the south and east coast.

Now, reckons Mr James Fitzpatrick, the chairman of Mersey Docks and Harbour Company, "it has settled to the size and role it can maintain."

This is proving to be a profitable role, though last year saw earnings collapse as a result of the dock strikes.

In the past, Liverpool has not had the most enviable of labour records, but strikes have now become far less common and Mersey Docks' employees have agreed a two-year pay deal.

Sixty years ago, when the port contained nearly 40 shipping lines, local shipowners controlled nearly half the British merchant fleet, since sharply diminished. Ocean is the major line now left with headquarters in the city, but much of its top management is in London.

The port can handle more than 200,000 containers at its £50m Royal Seaforth terminal, but has been handling less than half this. Last year saw a slight rise to nearly 79,000 from 74,000 units and Mr Fitzpatrick hopes for a further rise this year.

During Southampton's labour troubles, the ships of the Southern Africa Europe Container Service (SAECS) moved to Liverpool and the consortium was happy with the service. But they returned at the end of March to the more convenient south coast port.

To add to its container traffic —the biggest user is Atlantic Container Line (ACL), of which Britain's Cunard is a shareholder — the port hopes to attract new short-sea business such as on the Irish Sea route. Grain, timber, scrap metal, and animal feeds are other major cargoes.

After last year's slump from pre-tax profits of £7.5m to a mere £807,000, the first half of 1985 saw a recovery from £1.3m to £1.4m. It aims to stay in profit in the second half. The port was not helped by the withdrawal of the Isle of Man Steam Packet service, leaving 24 dockers to add to its surplus of around 200.

But Mr Fitzpatrick is encouraged by the development of the new freeport, the first into operation in Britain, handling goods for more than 100 companies and creating 40 jobs. Since freeport traffic tends to be totally new traffic, the port reckons its overall business should be boosted significantly.

Looking to break even

London

No looger centred on the capital city itself, the Port of London Authority (PLA) has undergone some fundamental changes in the past few years. Most of its operations take place some 15 miles down the River Thames from London at Tilbury in Essex. The last of the city's loss-making upriver docks were closed in 1981.

Since then, the PLA has been striving to make a profit, with the Government no longer pumping in money to stem losses. Last year, it moved back into the black, despite the major disruption caused by the summer's two dock strikes which frustrated its hopes of achieving a major turnround.

The PLA, which runs the Tilbury container terminal as well as grain, other cargo, and cruise facilities, made a profit of £640,000 compared with a £1.46m loss in 1983, a year also affected by lengthy labour problems. At the end of 1984, the PLA employed some 3,200 people (about half of them dockers), down 10 per cent on 1983. This compared with over 10,000 in the mid-1970s.

Tonnage handled in the port last year rose by 1.7m tonnes to 42.2m, mostly because more containers were handled at Tilbury and there was more river traffic of oil and aggregates. This year, Mr John Black, chief executive, expects container traffic to rise further from 325,000 TEU (20 ft equivalent units) to over 400,000.

He is hopeful that the new severance scheme will encourage more than 300 surplus dockers to go, saving the PLA some £3.5m a year.

Cautions about this year's financial prospects, he says: "We want to break even." Interest payments eased last year, and costs were cut. But several million pounds are likely to come off revenues after a Government order that rates be cut 30 per cent, following protests by private wharf operators.

The shift to Tilbury away from London itself took place in response to the UK's growing trade with the EEC and the container revolution of the 1960s and 1970s. With the opening of key sections of London's orbital motorway, Tilbury has direct access to the country's major industrial and population centres.

Moving fast and thinking flexibly

Teesside

IT IS the third largest port in Britain, making profits of some £7m a year and investing steadily at a rate of £3-4m. On the face of it, therefore, Tees and Hartlepool Port seems set fair for a solid and prosperous future.

But like other UK ports, the Teesside complex is having to move fast and think flexibly to keep up with changing traffic patterns and levels of demand, as well as stiff competition at home and in Continental Europe.

No longer can the port rely just on the heavy cargoes such as steel, iron ore and chemicals, which helped boost it to its present size. Oil, too has diminished in importance. Overall, cargoes handled have dropped from 38.8m to 32.3m tonnes since 1980, while pre-tax profits jumped from £2m to £7.2m as costs were held down.

The reduction in British Steel output and the shutting of the nearby Rohm and Haas chemical plant had an impact on the port's business, while the closure of Shell's Teesport refinery—announced last year—is another blow.

So the port has been striving to build up other, more profitable, business in car imports and exports, timber, scrap metal, and even water for the Middle East. Under Mr John Tholen, chief executive, it is also looking at possibilities in containers on short-sea routes to the rest of Europe.

This August and September, the port went through a slack cargo patch — "a magnified summer dip," said Mr Tholen—but has been assured by customers that business will be back to normal levels. This year's profits will not beat those of 1984, "but should not be too far off."

For Teesside, "the real rock-bottom business will remain oil, petrochemicals, chemicals, and steel." But he added, "we are looking for any kind of fat we can put on that in the form of new business."

Jobs in the port have fallen from 1,700 to 1,100 in the past seven years, and there may be some further reductions. "We have to get more involved with customers' needs and use our ingenuity and cash to grasp opportunities when they occur," said Mr Tholen.

FT COMMERCIAL LAW REPORTS

Tax avoided by unplanned transaction

COMMISSIONERS OF INLAND REVENUE v BOWATER PROPERTY DEVELOPMENTS LTD.
Chancery Division: Mr Justice Warner: October 18 1985

A PERSON who enters into two transactions which together result in his avoidance of tax liability will not be assessed to tax oo tho ground that they comprised one composite transaction with no purpose other than tax avoidance, if the second transaction was not pre-arranged when he entered into the first.

Mr Justice Warner so held when dismissing an appeal by the Commissioners of Inland Revenue from the Special Commissioners' decision to discharge en assessmeot to development land tax made on Bowater Property Developments Ltd.

*   *   *

HIS LORDSHIP *said* that at the beginning of 1980 Bowater was owner of 23 acres of land in Kent known as Crofts Marsh.

A sale of Crofts Marsh to Milton Pipes Ltd, a company outside the Bowater Group, was under negotiation. A price of £202,500 had been agreed subject to a contract which would be conditional on planning permission.

On March 25 1980 Bowater contracted to sell Crofts Marsh for £180,000 to five other companies in the group in common in equal shares. That first transaction had no business purpose. The five companies were selected because none of them had nsed the £50,000 exemption from development land tax under sectioo 12 of the Development Land Tax Act 1976.

The sole object was to avoid the liability to tax which would fall on Bowater if the sale to Milton Pipes went through. At the time there was o firm expectation on the Bowater side that it would go through.

On July 7, however, Milton Pipes wrote o letter from which it appeared to Bowater that the sale had fallen through for good. During the ensuing months it remained Bowater's general policy to sell Crofts Marsh, but it had no other potential purchaser in mind and did not actively seek one.

Early in February 1981, circumstances having changed partly from the planning point of view, Milton Pipes became interested again. Negotiations were re-opened, resulting in the sale of Crofts Marsh by the five companies to Milton Pipes for £259,750.

The Commissioners, in reliance oo the principle in *Ramsay [1982] AC 300* [that in deciding whether a series of transactions gave rise to tax liability the court would consider the scheme as a whole] assessed Bowater to development land tax oo the footiog that the second transaction should be treated for tax purposes as a disposal by Boweter.

The Special Commissioners held on the facts that *Ramsay* did not apply, and they discharged the assessment.

They took the view that in deciding whether *Ramsay* principles applied the "firmness (or otherwise) of the expectation of the party introducing the tax avoidance transaction that the ultimate transaction would occur" was critical. They held that Milton Pipe's state of mind et the time of the first transaction was irrelevant unless known to the Bowater group.

What led them to decide in favour of Bowater was the break in Bowater's continuity of intention to sell Crofts Marsh to Milton Pipes, resulting from Milton Pipe's withdrawal in July 1980.

In the present appeal, Mr Sher, for the Commissioners, argued that the *Ramsay* principle applied and the break in the negotiations between the group and Milton Pipes was irrelevant. He relied mainly on the following passage in the speech of Lord Wilberforce in *Ramsay* at pages 323-324:

"Giveo that a . . . transaction is genuine the court cannot go behind it . . . that is a cardinal principle but it must not be overstated . . . If it can be seen that e . . . transaction was intended to have effect as part of . . . e . . . series of transactions . . . there is nothing in the doctrine to prevent it being so regarded . . . In such cases the Commissioners should find the facts and the decide . . . whether what is in issue is a composite transaction or e number of independent transactions."

It was plain from the last sentence in that passage that Lord Wilberforce envisaged that there would be cases where a series of transactions constituted not "a composite transaction" (to which the *Ramsay* principle would apply), but "e number of independeot transactions" (to which it did not).

In *Furniss v Dawson [1984] AC 474, 527* Lord Brightman said with regard to the limitations of the *Ramsay* principle: "First there must be a preordained series of transactions; or . . . ooe single composite transaction . . . Secondly, there must be steps inserted which have no commercial (business) *purpose* epart from the avoidance of a liability to tax . . . The court must theo look at the end result."

Mr Sher's submissions amounted to saying that one might ignore the first of Lord Brightman's requirements and that if a series of transactions included one which had no purpose other than avoidance of tax liability arising from a later transaction in the series, ono might *ipso facto* conclude that the series constituted a "single composite transaction."

That could not be right because, as Lord Brightman's words and the whole tenor of the authorities showed, a single composite transaction in that context meant ooe in which all the steps had been pre-arranged or pre-ordained.

In no sense was the second transaction in the present case pre-arranged or pre-ordained when the first was carried out.

In *Craven v White (May 25 1985)* neither of Lord Brightman's requirements was satisfied, whereas in the present case it was undisputed that the second was. The court was however in entire agreemeot with the reasoning in that case that led Mr Justice Peter Gibson to hold that the first requirement was not satisfied, and that he should decline to extend the Ramsay principle to cover the case.

Accordingly the appeal would be dismissed, for reasons differing from those of the Special Commissioners. The court did not share their view that if Milton Pipes had entered into the transaction first envisaged, the *Ramsay* principle would certainly have applied. Nor was the critical point the effect of the Milton Pipes letter of July 7 1980 oo the minds and conduct of those acting for Bowater group.

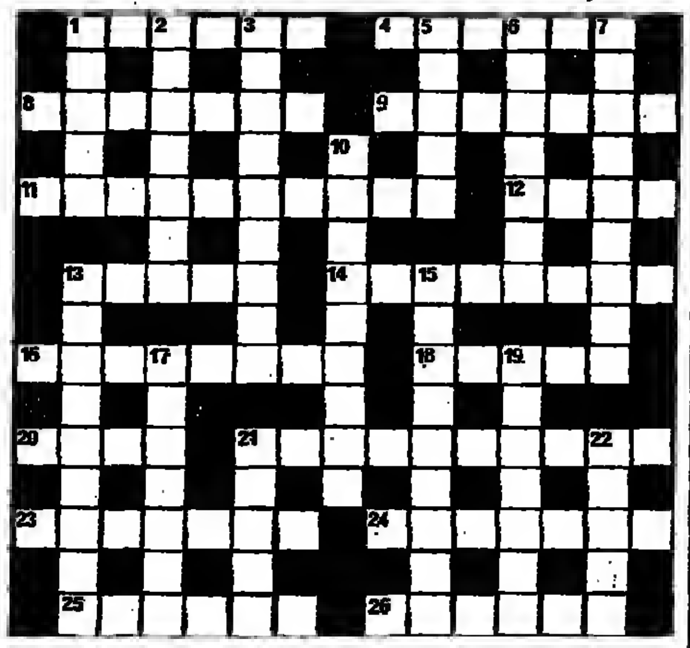
The crucial fact was that it had oot been pre-ordained or pre-arranged at the time of the first transaction that the secood would follow.

For the Commissioners: Jules Sher QC and Alan Moses (Solicitor, Inland Revenue).

For Bowater: Andrew Park QC and David Goy (C. W. S. Goodger).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,853



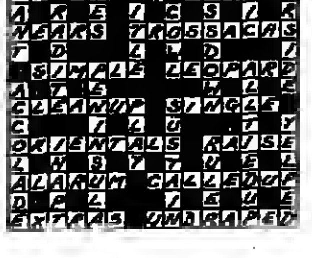
ACROSS

1 and 12 Do the samo as someone else et the table? (6, 4)
4 Book as an afterthought on one old railway (6)
8 Small child will often get small quantity (7)
9 When played could produce music on strings (7)
11 A garnet lot could be a sort of crystal system (10)
12 See 1 ecross
13 Guide one into the story line (5)
14 It holds the light by the way (8)
16 Raiding with violence round capital of France is unbecoming (5, 3)
18 Damaged trees may be short (5)
20 Go back in the array for an official vestment (4)
21 Investor couples art with excitement (10)
23 News? There's a scrap here (7)
24 Moterially at the end of the book? (7)
25 Station overhead (6)
26 There's a positive charge on it—on port, perhaps (6)

DOWN

1 "Smithy"? (Falsify signature?) (5)
2 Upsets bear ill for party member (7)
3 Bound old boya hat round the opening (9)
5 and 15 Upstage me—take claps due to me (5, 2, 7)
6 Calls on, to get reference (5, 2)
7 Is it a less important feature picking the team? (4, 5)
10 Freed, not having shoes on? (9)
13 Leg scores—that defines it exactly (9)
15 See 5
17 Play rep in a bad way. Go in for it again (7)
19 Part of the reaction about a spy (7)
21 Part of opera having ends of its music the main aria (5)
22 Ancient gilt loses its top (5)

Solution to Puzzle No. 5,852



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Asian Pacific	46.1	49.9	+0.8	2.58
Assets & Engs. Tt.	79.4	84.9	+0.6	2.72
Capital Reserve	60.4	60.7	+0.1	—
Commodity & Energy	67.3	72.6xd	−0.2	2.62
European Capital	55.4	58.9	+0.2	2.95
General	116.2	124.3	+0.5	2.42
Japan	152.3	163.9xd	+0.4	—
UK Growth Acc. Units	106.9	114.9	+0.4	—
UK Growth Dist.	94.7	80.3xd	+0.3	1.92
U.S. Emerging Cos.	49.6	53.0xd	+0.5	0.49
Equities Prog.	165.4	176.9	+0.4	2.91

Allchin Hume
30, City Road, EC1Y 2AY.   01-628 6626

	Bid Price	Offer Price	+ or −	Yield Gross
American Tech Fd.	94.3	100.8	−0.5	—
Pacific Fd.	114.7	122.7	−0.1	0.20
Secured Income Fd.	144.0	154.1	−1.0	4.50
Special Sits.	157.3	168.5	—	1.56
Energy Fd.	27.8	29.6	−0.5	0.60
American Majors	55.5	59.3	−0.5	1.56
Small Co's Fd.	50.3	52.7	+0.1	1.97
Jap. Technology	56.3	60.1	−0.4	0.10
International Income	50.0	53.4xd	—	7.00
Exempt	439.5	470.6	—	—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Hatton, Brentwood, Essex
Brentwood.   (0277) 211459 & 229123

Balanced Trusts

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd.
66 Cannon St, London EC4N 6AE. Dlg. 01-236 3885

International Growth	91.4	97.3	+0.6	2.00
Income & Growth	63.1	45.6	+0.2	3.20
Special Situations	51.7	55.0	+0.5	1.40
American Growth	26.1	27.8		1.10
Japan Growth	33.6	35.8	+0.1	—
European Growth	40.3	43.1	+0.3	3.30
UK Growth	39.9	42.7	+0.1	—
Pacific Growth	31.8	34.0	−0.2	1.80
High Income	27.9	29.8	−0.2	7.40
Practical Income Units	41.3	44.0		3.1
Practical Accum. Units	74.3	79.1		3.1

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	65.1	69.3	+0.2	3.15
Accum Units	96.6	102.5	+0.3	3.15
Pearl Inc.	92.2	98.3	+0.4	5.01
Pearl Unit Tst.	97.6	103.6	+0.6	3.96
(Accum Units)	164.7	175.2	+0.7	3.96

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	194.1	208.3	+1.3	1.93
Income	145.7	156.0	−0.2	5.39
Worldwide Recovery	106.6	114.4	+0.2	2.17
American Growth	53.2	57.1		1.11
Intl. Emerging Cos.	59.0	63.3	+0.1	0.75
Far East Growth Fd.	49.9	53.6	+0.3	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	108.8	116.6	+0.9	0.17
Prolific Extra Inc	64.7	68.8	+0.3	5.76
Prolific Gilt Cap	84.5	87.9	+0.1	3.23
Prolific High Inc	140.1	149.0	+0.4	4.97
Prolific Intl.	83.3	89.2		1.90
Prolific N. Amer	108.4	116.1	−1.3	2.40
Prolific Spec. Sits	151.3	162.0	+1.8	1.45
Prolific Technology	95.6	102.4	−0.3	0.80

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Inc.	53.1	56.2	+0.4	—
Japan Acc.	53.3	56.3	+0.4	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$12.81	+0.03	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$13.56	+0.05	—

Inv Adv: M & G Inv Mngt. Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$10.68	+0.02	—
Dynamic Grth Fd	$9.62	+0.03	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.20	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.83	8.50	12.53	Daily
7-day Fnd	11.56	8.66	12.06	Daily
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fund	11.10	—	12.47	6-Mth
7-day Fund	11.06	8.27	12.16	6-Mth
Dollar	6.44	—	—	6-Mth
Money Mngt Acct	11.00	8.29	12.27	3-Mth

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	35	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons.	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

London may trade in diamond futures

By Our Commodities Staff

A LONDON diamond futures market could be operating by next summer, according to the London Commodity Exchange (LCE).

The exchange and members of the international diamond trade have decided to establish a formation committee "to steer the further development of the International Diamond Futures Association," the LCE announced yesterday.

The exchange and the diamond trade believe a futures contract would increased public confidence in diamonds as an investment by providing a standard market value reference.

Joint chairmen of the formation committee will be Mr David Anderson, the LCE's vice chairman, and Mr David Spitzer, an Antwerp diamond manufacturer.

● INDONESIA, the world's second biggest rubber exporter, says it is reviewing its participation in the International Natural Rubber Organisation (INRO) buffer stock programme, reports Kieran Cooke, from Jakarta. The chairman of the Indonesian Rubber Producers Association, Mr Syamsir Rachman said that INRO had so far failed to stabilise world rubber prices and that funds Indonesia allocates to the programme would be better used to develop rubber sales.

Mr Rachman said that because of prices that had sagged 20 per cent in the last year, Indonesia was unlikely to meet its export target of 1.15m tonnes this year. In 1984 Indonesia exported 1.009m tonnes of rubber worth $948m. In the first six months of this year it exported 492,369 tonnes.

Meanwhile Indonesia has stopped rubber exports to North Korea because of alleged defaults on payments. Mr Harry Tanugraba, the director of the Indonesian rubber producers association, said the North Koreans had not paid for 10,000 tonnes of natural rubber exported last year. The exports, worth $9.64m, were delivered in three shipments from July last year and were the first Indonesian rubber exports to North Korea, he said.

● QUALITY TEA prices at yesterday's weekly London auction averaged 165p a kilo, up 5p from last week. Medium grade tea was unchanged at 144p a kilo and low medium down 3p at 108p. There were 30,083 packages on offer including 2,400 in the offshore section.

World nearing brink of trade war—FAO chief

BY JAMES BUXTON IN ROME

A COMBINATION of severe falls in the prices of many commodities on the one hand, and mounting protectionism on the other, is bringing the world to the brink of a trade war. This was the warning given in Rome yesterday by Mr Edouard Saouma, director-general of the Food and Agricultural Organisation.

Mr Saouma, who was addressing the FAO's committee on commodity problems, said that although world trade in agricultural, fishery and forestry products improved in 1984 for the first time in three years, total agricultural export earnings would fall in 1985.

Not only was the volume of exports of products such as grains and sugar expected to fall, but there had been a sharp decline in export prices for many commodities. Palm oil, rubber, soyabeans, and maize had registered price falls of 20 to 30 per cent, while tea and jute after reaching exceptionally high levels in 1984, have dropped "markedly" since then.

The free market sugar price, at less than 3 cents a pound, was the lowest level in real terms this century. He said that many producers were discounting on their officially quoted prices.

FAO projections for the year 1990 suggest a marked slowdown in the growth of commodity trade in the present decade, compared with the 1970s. For jute, sugar and some hard fibres the size of international markets is projected to contract further.

Protectionism, said Mr Saouma, is hampering much of world commodity trade. Developed countries were using export aids to dispose of their surpluses, while imposing stricter limits on beef and sugar imports.

"It is not surprising," said Mr Saouma, "that some developing countries have raised doubts about trade as a reliable basis for their food security and economic progress, clearly much remains to be done to restore confidence in the international trading system."

The director general said that there should now be "real negotiations on trade liberalisation" in the Gatt committee on trade in agriculture.

Reagan may veto Farm Bill

BY NANCY DUNNE IN WASHINGTON

PRESIDENT REAGAN'S advisers are reported to have his veto pen ready for the current, very expensive version of the 1985 Farm Bill scheduled for debate in the Senate this week.

The Bill exceeds the $34.8bn Congressional budget target for fiscal 1986-88 by more than $20bn, according to a set of policy papers issued last week by the U.S. Department of Agriculture (USDA). Republican senators are expected to offer "corrective amendments," but if these fail to pass, a veto is widely expected.

Sen. Jesse Helms, Republican chairman of the senate agriculture committee, is working along with the administration to contain the measure's cost. In a letter to senate colleagues, he warned that "by indiscriminately pouring forth massive subsidies on the agriculture sector, the Bill will contribute to its further wrenching pain and decline."

The administration is demanding a reduction in the cost of grain and dairy subsidies. Due to the fall-off in export demand for U.S. grains and lower farm prices, the USDA calculates the cost of subsidies over the next three years, under the current legislation, would be $54bn to $60bn. This would exceed the Congressional budget by more than $20bn. It estimates the cost of dairy supports at $42bn, more than $7bn over the budget limit.

The Administration is also opposing a Senate proposal to allow wheat farmers to vote next spring on mandatory acreage controls, which would reduce domestic production and raise prices. The scheme would price American farmers out of world markets and encourage foreign production, according to the USDA.

"By 1990, wheat exports would fall 750m bushels, or 40 per cent," says the USDA. "Processors and livestock feeders would pay $1.4bn more for wheat in 1988-89 purchasing 10 per cent less feed as a result . . . this acreage cutback would force U.S. wheat farmers to buy fewer farm imports."

Further zinc output cuts announced

BY KENNETH MARSTON, MINING EDITOR

THE CURRENT over-supply of zinc concentrates and lower world prices for the metal is being reflected in further retrenchments in the producing industry. Canada's Cominco, which has already curtailed its operations at Trail, British Columbia, has now announced the suspension of production at the Black Angel mine in Greenland.

The Arctic lead-zinc-silver producing Black Angel, operated by Cominco's 62.5 per cent-owned Vestgron Mines, is to be closed down from late November until the end of next January.

This will mean a reduction of 20,000 tonnes of zinc concentrates and 5,000 tonnes of lead concentrates in the European market for the 1986 shipping season.

From Ireland, the Northgate Exploration group's Tara Mines, "mindful of the need to preserve current operations" at Navan, County Meath, Ireland, has decided to abandon plans to acquire Bula Mines, which owns the adjoining orebody, and to expand production.

As a result Tara has revised its planned mine production for 1986. This will mean a decrease in next year's production of 35,000 tonnes to 350,000 tonnes of zinc concentrates and a halving to 5,000 tonnes for lead concentrates.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	+1,875 to 202,300
Copper	−6,375 to 192,550
Lead	+2,225 to 40,550
Nickel	−948 to 6,042
Tin	+545 to 34,910
Zinc	+175 to 32,050
	(ounces)
Silver	−1,644,000 to 53,304,000

Riding the low fat bandwagon

Farmer's viewpoint: by John Cherrington

LISTENING as usual to the BBC's early morning farming programme the other day I was startled to hear the presenter refer to finished cattle instead of fat cattle, the customary term. "Could it be," I thought, "that the Corporation has mounted the anti-fat bandwagon and that this change of name is a subtle attempt to melt the fat away by ignoring it?"

Personally, I remain far from convinced that animal fat, or any fat for that matter, is necessarily injurious to health. I once suffered, through dietary ignorance, from a form of scurvy—a very nasty disease. I cured myself by boiling cabbage and eating the residues and eating sour apples and other fruits. When on board ship I even forced myself to drink unsweetened lime juice.

Then I read somewhere that the Eskimos never suffered scurvy although they lived in areas where no vegetation could exist. It appeared that their diet consisted entirely of overfat seals and other creatures and they took no particular harm from eating a high percentage of fat.

So instead of putting the fat to the side of my plate I began to eat and enjoy it. I must report that since that time I have enjoyed my food and never suffered the disease again.

I suspect, however, that if a person is convinced that a certain diet will kill him it probably will. And as a farmer wishing to remain in business I have to accommodate the customer's wishes, however nonsensical I may think them.

It is important to note that the terms fat or finished refer to animals, sheep and cattle principally, which has reached maturity during the feeding process and are ready to be sold for slaughter.

The only way to judge carcase conformation before slaughter is by eye and feel. An experienced butcher will know by these means what sort of a carcase will be produced. If he is a local butcher buying from a regularly supplying farm he will probably know how it will turn out. Alas such individuals are becoming scarce, those who buy in bulk for the supermarket outlets cannot possibly take the same care as an individual butcher buying for a special market.

About 70 per cent of all cattle and sheep for slaughter are graded alive. The farmer who sells them has no interest, once the auctioneer's hammer has fallen, in what happens to the carcase. He will never be told how much fat or flesh the carcase has provided. It is up to the butcher to present the carcase to the public and it is up to him to trim the meat so that excess fat is removed.

When buying the whole animal the butcher has had to pay the same price for fat and lean, so he is naturally going to trim as little as possible before final sale, and most of the traditional British cuts, particularly of beef, include a great deal of fat in and around the lean. But meat does need a certain amount of fat, both for tenderness and for flavour. The best beef has a marbling of fat in the flesh.

All the farmer knows is that when his cattle come in the ring, he sees that a well rounded carcase with no hollows and bones showing—denoting a certain degree of subcutaneous fat—is what sells best. There are facilities for deadweight selling where the animals are graded on the hook, but because of the finality of this many farmers prefer market grading. If they do not agree with the grader they can always withdraw their stock.

With sheep the farmer has to guard against excess fat because of the workings of the EEC's price support regime. A deficiency payment, which averages about 25 per cent of the guaranteed price is paid on those which are graded. There are five grades on the deadweight scale, at present those in grade 5 do not qualify for the deficiency payment and after next January 6 those in grade 4 will not either. This could mean a heavy loss to a farmer whose lambs are too fat.

The effect of this stricter grading, which began a couple of years ago, has been to persuade farmers to sell in the live markets where they believe grading is not so strict—it is certainly much less exact than deadweight grading. Stricter liveweight grading could be a means of forcing farmers to breed the type of sheep which the present market requires.

It will mean changing the practices of generations of sheep farmers, whose aim has been the production of a quickly maturing lamb with a blocky carcase on the New Zealand pattern. There are breeds which do produce the leaner carcases, particularly in France and Holland, but when tried in Britain they do not seem to be all that much of an improvement on British breeds and crosses. This is probably because of differences in feeding regimes.

But it can be done. Half a century ago the British pig was just as fat and unattractive to the consumer as beef is said to be today. Thanks to ruthlessly tight grading on a dead weight basis, however, the present British pig, whether for bacon or pork, is fully equal to the continental types in leanness and bacon quality is now as good as the Danes. But in this case pig breeders had no alternative than to follow the improved grading pattern or go under. If the same discipline were applied to beef and lamb the physical quality standards would probably improve. But I wonder, would the meat taste any better and would the consumers live any longer?

Weather drowns British hopes of pasta profits

TWO BAD harvests have severely shaken confidence in one of the few non-surplus crops available to UK farmers, writes a special correspondent.

Durum wheat, whose translucent grains are used to make pasta, originates in the Mediterranean, but over recent years careful cultivation has made it an increasingly common sight on specialist arable farms in this country.

This year a record 27,000 acres of durum were harvested—enough, in theory, to make the UK self-sufficient.

But the weather was not on the farmers' side. The rain which caused sprouting in the bread-making wheat crop also badly affected the "spaghetti wheat."

Less than 20 per cent of production will be suitable for milling, and the millers will have to lower their standards even to accept that much.

For the grower this is disastrous. Instead of receiving £180 per tonne for his crop, he will get only the feed wheat price of around £100 per tonne. That represents the difference between a handsome profit and a thumping loss.

This year's quality problems follow hard on the heels of major yield losses last year when, for some as yet unexplained reason, the ears of durum wheat failed to fill with grain properly.

The result of these two bad seasons is a mass exodus from the crop. Farmers are sticking with more conventional cereals, which may be in surplus, but are not so risky. Most of the seed for the 1986 durum wheat crop has now been sown and traders report that sales are down by about 50 per cent.

The problems with the home-grown durum crop have been a disappointment not only to the farming industry, but also to Britain's small band of pasta makers. Relatively cheap home-grown durum wheat supplies should have strengthened the domestic industry in its fight against cheap imported wheat products. In the event, the millers have had to continue to rely on costly imported wheat supplies from the Mediterranean and North America.

LONDON MARKETS

ON THE London Metal Exchange yesterday lead prices lost some of Friday's rally but remained above the 27-month lows reached last week. The cash price ended £5 down at £271.50 a tonne with dealers reporting little reaction to a report that U.S. stocks has fallen by nearly 4,000 tonnes last month. On the aluminium market sentiment was dampened by news of a rise in daily average production during September in the non-socialist world.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	675.5-7.5	—1	—
3 months	697.5-8	—1	699.5/698

Official closing (am): cash 675.5-6 (—): three months 697-.6 (—): settlement 697 (—). Final kerb close: 698.5-9. Turnover: 12,775 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	971-2	—3	977.5/975
3 months	988-2	—4.25	995/988.5

Official closing (am): cash 977.5 (—): three months 993.5-4 (—): settlement 977.5 (—). Final kerb close: 989-89.5.

Cathodes			
Cash	955.5	+1.5	—
3 months	977.8	—1.5	—

Official closing (am): cash 957-62 (—): three months 979-81 (—): settlement 962 (—). Turnover: 28,075 tonnes. U.S. producer prices 66/70 cents per lb.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	271-2	—3	271.5/271.5
3 months	276-.5	—3.5	279.5/277

Official closing (am): cash 271-.5 (—): three months 2,765.5-7 (—): settlement 271.5 (—). Final kerb close: 277-8. Turnover: 6,025 tonnes. U.S. spot: 19/20 cents per lb.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2905-10	—7.5	2890/2890
3 months	2950-5	—5	2970/2950

Official closing (am): cash 2,880-90 (—): three months 2,930-40 (—): settlement 2,890 (—). Final kerb close: 2,945-8. Turnover: 2,490 tonnes.

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	8525-30	—30	—
3 months	8457-8	—45	8467/8458

Official closing (am): cash 856-70 (—): three months 8,480-5 (—): settlement 8,570 (—).

Standard			
Cash	8525-30	—30	8570/8570
3 months	8455-6	—47	8486/8450

Official closing (am): cash 8,565-70 (—): three months 8,475-7 (—): settlement 8,570 (—). Final kerb close: 8,455-60. Turnover: 2,765 tonnes. Straits tin $1m 29.91 (29.95) kilo.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	447-8	+1	—
3 months	454-.6	+1	455/451

Official closing (am): cash 446-7 (—): three months 453-.6 (—): settlement 447 (—). Final kerb close: 450-1. Turnover: 7,775 tonnes. U.S. Prime Western: 38/38.75 cents per lb.

GOLD

Gold fell $¾ to $325¾-326 on the London bullion market yesterday. It opened at $327¾-328¼, the highest level of the day, and was fixed at $326.60 in the morning and $326.15 in the afternoon. The metal touched a low of $324½-325¾. In quiet trading.

GOLD BULLION (fine ounce) Oct. 21		
Close	$325¾-326	(£226¾-227¼)
Opening	$327¾-328¼	(£228-228½)
M'n'g fix	$326.60	(£227.494)
Aft'n'n fix	$326.15	(£227.124)

GOLD AND PLATINUM COINS

Kr'g'rnd	$329½-330	(£229¾-230)
½ Krug.	$172¼-175¼	(£120¼-120¾)
¼ Krug.	$88-88½	(£61¼-61¾)
1/10 Krug.	$36-36½	(£25-25½)
Mapleleaf	$335½-336	(£234-234½)
New Sov.	$78¼-78¾	(£54½-55)
½ New Sov.	$45¼-47¼	(£32½-35)
Old Sov.	$80-81½	(£55½-56½)
$20 Eagle	$480-500	(£320¾-348¾)
Noble Plat	$355¼-337	(£232-234½)

SILVER

Silver was fixed 1.95p an ounce lower for spot delivery on the London bullion market yesterday at 429.8p. U.S. cent equivalents of the fixing levels were: spot 616.35c, up 0.65c; three-month 628.05c, up 0.95c; six-month 640.55c, up 1.55c; and 12-month 665.35c, up 0.05c. The metal opened at 429-432p (617-620c) and closed at 427-430p (613-616c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	429.80p	—1.95	426.25p	—3.25
3 months	441.65p	—1.75	438.25p	—2.75
6 months	453.30p	—1.85	—	—
12 months	475.75p	—2.35	—	—

LME—Turnover: 21 (223) lots of 10,000 oz.

The months high 440.5p, low 439p, final kerb 437.5-39p.

COCOA

After a marginally lower opening futures dipped sharply during the afternoon session and closed on a weak note at the lows. Physicals were neglected by producers and consumers alike although some scale-down price fixing was apparent, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Dec.	1694-1879	—11.0	1710-1693
March	1728-1729	—23.0	1750-1728
May	1757-1758	—24.0	1778-1755
July	1718-1763	—24.5	1798-1786
Sept.	1797-1798	—10.6	1809-1794
Dec.	1794-1795	—6.5	1799-1794
Mar.	1800-1810	—5.5	—

Sales: 3,489 (1,809) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for October 21: 106.19 (106.96); five-day average for October 22: 106.15 (106.29).

INDICES

FINANCIAL TIMES

Oct. 18	Oct. 17	M'th ago	Year ago
246.71	247.66	262.71	294.78

(Base: July 1 1952=100)

REUTERS

Oct. 21	Oct. 18	M'th ago	Year ago
1702.4	1701.7	1757.7	1890.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct. 19	Oct. 17	Month ago	Year ago
Spot	115.85	115.07	—	124.19
Fut.	118.41	118.25	—	126.05

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 21 1985	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt.	$1015/35	+5	$1000/20
Copper			
Cash h Grade	£971.5	—3	£943.5
3 mths	£988.3	—4.25	£968.25
Gold Troy oz.	$325.75	—0.5	$307.50
Lead Cash	£271.5	—5	£264.5
3 mths	£276.25	—3.5	£298.5
Nickel			
Free Mkt.	188/288c	—1	205/225c
Palladium oz.	$109.50	+0.75	$100.25
Platinum oz.	$323.00	+0.75	$311.75
Quicksilver†	$265/270		$280/290
Silver troy oz.	429.80p	—1.95	429.60p
3 months	441.65p	—1.75	441.10p
Tin cash	£8527.5	—30	£8922.5
3 months	£8455.5	—47	£8875
Tungsten	$70.75		$70.68
Wolfram 22.0lb.	$62/68		$65/70
Zinc	£447.5	+1	£478.5
3 months	£454.25	+1	£483.5
Producers	$780		$830
OILS			
Coconut (Phil)	$445w		$470
Palm Malayan	$360u		$372.5
SEEDS			
Copra Phil	$265w		$300
Soyabean (U.S.)	$211.75		$218.75
GRAINS			
Barley Fut. Jan.	£109.20	—0.28	£105.75
Maize	£135.50v		£151.00
Wheat Fut. Jan.	£108.90		£105.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1728.5	—23	£1761.5
Coffee Ft. Jan.	£1596	—15	£1596
Cotton A Index	48.55c	—0.05	58.90c
Gas Oil Dec.	$254.25	—0.5	$247.5
Rubber (kilo)	58p		58p
Sugar (raw)	$125x	—1.5	$139
Wooltops 64s	414p kilo	—1	428 pkilo

‡ Unquoted. x Oct-Nov. w Nov-Dec. v Nov. u Dec. † Per 75 lb flask. c Cents per pound.

COFFEE

Early losses were short-lived as trade buying supported the market below £1,700 for January, reports Drexel Burnham Lambert. Nevertheless although U.S. operators emerged as buyers during the afternoon the market was unable to rally strongly in the face of continued selling pressure on nearby deliveries.

COFFEE	Yesterday's Close	+ or —	Business Done
Nov.	1655-1657	—14.5	1672-1653
Jan.	1595-1597	—15.0	1712-1691
March	1727-1730	—18.0	1744-1628
May	1765-1768	—22.3	1775-1665
July	1794-1796	+9.5	1795-1685
Sept.	1810-1815	+5.0	1815-1800
Nov.	1800-1850	—7.5	—

Sales: 2,686 (3,398) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for October 18: Comp daily 1979 124.61 (134.19); 15-day average 121.35 (121.02).

FREIGHT FUTURES

With no fresh news on the physical market, Biffex traded in quiet conditions. The fractionally higher morning levels were eroded late in the afternoon. The majority of activity was concentrated in the long October position, reports Clarkson Wolff. The Baltic Freight Index was 897, up 1.5.

	Close	High/Low	Prev.
Oct.	905/910	930/925	914/915
Jan.	924/925	985	925.5/930
April	980/984	—	980/990
July	850/870	—	850/880
Oct.	936/940	940/935	935/950
Jan.	960/1000	—	960/1000
April	1020/1070	—	1050/1080
July	900/945	—	890/945

Turnover: 64 (93).

GRAINS

The markets remained very dull with lack of new features and quiet physical trade causing values to drift. Mixed shipper and merchant profit-taking was noted at lower levels, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Nov.	105.70		106.20	—0.35
Jan.	108.60		109.20	—0.29
Mar.	111.45	—0.10	112.00	—0.35
May	114.45	—0.05	114.30	—0.25
July	117.15	—0.10	—	—
Sept.	97.16	+0.40	97.15	+0.40

Business done—Wheat: Nov 105.70-5.50, Jan 108.60-8.40, Mar 111.60-1.45, May 114.45 only, July and Sept untraded. Sales: 92 lots of 100 tonnes. Barley: Nov 106.35-6.00, Jan 109.20-9.05, Mar 112.05-1.95, May 114.35-4.30, Sept untraded. Sales: 58 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring No 1 15 per cent Dec 131.75, Jan 134, Feb 136.75 transhipment east coast. U.S. No 2 soft red winter Nov 112, Dec 115, Jan 118, Feb 117 sellers. EC French Nov 124.50. English feed fob Nov 106.00-109.00, Dec 110.00-110.75, Jan/Mar 112.50-113.00 buyers/sellers, Apr/Jun 117.25 seller. Maize: U.S. No 3 yellow/French transhipment east coast Nov 135.50 seller. Barley: English feed fob spot 107, Oct 107.75 Scottish, Nov 110 English/Scottish, Dec 112 English, Jan/Mar 114.50-115.00 buyer/seller, Apr/Jun 119.50 seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 102.60, E Mids 103.50, N East 104.70, Scotland 100.50. The UK monetary coefficient for the week beginning Monday October 28 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

MEAT

Fresh buying and some light short-covering pushed prices up on the close in light volume, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Nov.	116.50	117.40	118.5-117.5
Feb.	102.10	101.30	101.50
April	102.90	102.30	102.50
June	101.20	101.30	—
Aug.	99.40	100.50	—
Oct.	105.80	106.00	105.50

Sales: 38 (72) lots of 00 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.04p per kg lw (+1.11). GB—Sheep 163.54p per kg est dcw (+3.30). GB—Pigs 82.22p per kg lw (+0.82).

COTTON

LIVERPOOL — Spot and shipment sales totalled 712 tonnes for the week ending October 18 1985 compared with 440 tonnes in the previous week. Moderate purchases involved West African, Colombian, American and Peruvian qualities.

U.S. MARKETS

A STRENGTHENING dollar prompted liquidation of long gold positions which were established in anticipation of a flare-up in South Africa, reports Heinold Commodities. Silver weakened on dollar movements despite a large drawdown in London warehouse stocks. Copper traded on movements in the dollar and also reacted to poor cash demand at the U.S. mint tender. Sugar attracted buying near the bottom of its recent trading range but trading was thin. Coffee attracted technical selling but uncovered support on concern over drought damage of the Brazilian crop. Cocoa weakened initially on early weakness in the dollar with producer price-fixing further eroding values. Cotton's technical sell-off was extended as sell stops were elected. Heating oil attracted technical buying despite above normal temperatures in the main consuming areas. Grains were little changed in lacklustre trade as harvest progress has not been rapid enough to provide hedge pressure.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	43.05	—	—	42.85
Nov	43.25	—	—	43.15
Dec	43.60	43.75	43.50	43.40
Jan	43.95	—	—	43.75
March	44.70	44.65	44.65	44.60
May	45.40	—	—	45.20
July	46.10	—	—	45.90
Sept	46.00	46.90	46.90	46.60
Dec	47.85	—	—	47.65
Jan	48.20	—	—	45.00

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2171	2203	2163	2191
March	2257	2279	2245	2270
May	302	2327	2297	2316
July	2341	2350	2336	2360
Sept	2360	2370	2341	2369
Dec	2359	2360	2355	2368
March	2400	—	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	143.66	144.40	142.60	143.59
March	146.96	146.70	145.28	146.11
May	146.80	147.63	146.16	147.12
July	147.19	148.25	146.75	147.25
Sept	147.50	147.50	147.00	147.64
Dec	147.38	147.00	147.00	147.03
March	146.53	—	—	147.03

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Oct	60.60	—	—	61.30
Nov	61.15	—	—	61.55
Dec	61.55	62.30	61.50	61.95
Jan	61.75	—	—	62.15
March	62.20	62.90	62.20	62.60
May	62.50	63.25	62.50	62.95
July	62.90	63.45	63.10	63.30
Sept	63.10	63.65	63.65	63.65
Dec	63.85	64.40	64.20	64.20
Jan	63.90	—	—	64.35

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	59.41	59.65	59.30	59.86
March	60.08	60.15	—	60.40
May	60.65	60.65	60.60	60.80
July	59.05	59.15	58.95	59.35
Oct	53.81	53.80	53.80	53.96
Dec	52.83	52.86	52.63	52.82
March	53.55	—	—	53.65

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

ORANGE JUICE 15,000 lb, cents/lb

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	326.5	326.9	325.5	326.8
Nov	327.5	—	—	327.8
Dec	329.4	329.6	327.6	329.7
Feb	333.5	333.7	332.0	333.9
April	337.7	337.7	336.5	338.0
June	342.1	341.5	341.5	342.4
August	346.6	—	—	346.9
Oct	351.4	—	—	351.7
Dec	356.2	356.7	356.0	356.5
Feb	361.3	—	—	361.6
April	366.6	—	—	366.9
June	372.2	—	—	372.5
August	378.0	—	—	378.3

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	325.2	322.0	320.6	322.8
Jan	329.5	330.5	324.5	326.3
April	332.7	333.5	329.0	329.3
July	336.1	333.5	333.3	332.7
Oct	339.7	337.5	337.0	336.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	614.7	616.6	612.0	617.0
Nov	618.5	—	—	617.8
Dec	620.5	623.5	617.0	623.0
Jan	624.9	627.5	627.5	627.4
March	633.2	638.5	630.0	635.8
May	641.9	645.0	639.0	644.6
July	651.1	651.5	651.6	653.8
Sept	661.0	661.0	661.0	663.7
Dec	676.1	675.5	675.5	678.8
Jan	681.6	—	—	684.2

SUGAR WORLD "11"

	Close	High	Low	Prev
Jan	4.86	4.89	4.86	4.93
March	5.39	5.46	5.34	5.37
May	5.56	5.62	5.53	5.57
July	5.71	5.76	5.70	5.75
Oct	6.08	6.11	6.04	6.05
Jan	6.47	—	—	6.30
March	5.70	5.70	6.67	6.65

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	65.10	65.42	64.75	64.85
Feb	62.15	62.57	62.02	62.30
April	61.85	62.12	61.60	61.92
June	61.70	62.25	61.85	62.30
August	59.62	60.30	59.62	60.07
Oct	58.80	58.80	58.60	59.06
Dec	59.70	59.70	—	60.60

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	46.80	47.07	46.35	46.75
Feb	45.90	46.17	45.35	45.70
April	41.50	41.72	40.90	41.20
June	43.67	43.87	43.15	43.77
July	44.40	44.45	44.00	44.11
August	42.90	43.25	42.65	42.60
Oct	40.25	40.40	49.80	40.15
Dec	41.45	41.45	41.00	41.32

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	220.5	222.0	219.5	220.0
March	233.5	235.0	232.5	233.0
May	240.5	242.0	239.5	240.0
July	243.4	244.0	242.5	243.2
Sept	231.6	233.2	231.6	232.5
Dec	227.4	229.0	227.0	228.6
March	36.4	237.4	236.4	239.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	65.35	66.25	65.10	65.80
March	65.56	66.35	65.20	66.07
May	66.70	67.25	66.35	67.20
July	66.87	67.12	66.60	67.42
August	64.90	65.25	64.80	65.42

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Nov	504.6	506.0	502.0	504.6
Jan	518.0	519.0	515.2	517.2
March	532.0	532.4	529.0	531.4
May	542.0	542.6	538.4	541.4
July	549.5	550.2	547.0	550.0
August	549.0	549.0	547.4	548.4
Sept	538.4	538.4	537.4	536.4
Nov	537.0	538.0	534.0	537.4
Jan	548.4	549.4	547.0	549.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	143.4	144.3	142.8	145.2

SOYABEAN OIL 60,000 lb, cents/lb

WHEAT 5,000 bu min, cents/60-lb bushel

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. New York tin 413.0 (same) cents per pound. Handy and Harman silver bullion 613.0 (614.0) cents per troy ounce.

POTATOES

Values fell £1.50, basis April, on the opening in thin volume. A PMB announcement midday, stating that early indications suggested that there would be ... of 500,000 tonnes ... sell-off as earlier indications ... of a much smaller surplus ... reports Coley and Harper.

RUBBER

PHYSICALS — The London market opened unchanged, drifted lower throughout the day and closed quiet and easier, reports Lewis and Peat. Closing prices (buyers): spot 58.00p (same); November 58.75p (58.00p); December 59.00p (59.25p). The Kuala Lumpur fob price for RSS No 1 was 184.0 (186.0) cents a kg and for SMR 20 was 173.0 (same).

SOYABEAN MEAL

The market opened almost unchanged in very quiet trading, reports T. G. Roddick. Prices firmed on buying interest from the commission houses.

SUGAR

LONDON DAILY PRICE—Raw sugar $125.00 (127.00), down $2.00 (down £2.00) a tonne for October-November delivery. White sugar $154.50, down $2.50.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for October 18: Daily price 4.38 (4.38); 15-day average 4.85 (4.97).

PARIS—(FFr per tonne): Dec 1320/1340, Mar 1347/1349, May 1376/1386, Aug 1413/1424, Oct 1435/1450, Dec 1450/1475.

Sales: 953 (2,063) lots of 50 tonnes. Tate & Lyle delivery price for granulated basis sugar was £189.00 (£192.00) a tonne for export.

OIL

The spot crude market was virtually unchanged in quiet trading ... November lots ... reports Petroleum Argus, London.

SPOT PRICES

GAS OIL FUTURES

Turnover: 724 (1,692) lots of 100 tonnes.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar opens weak but recovers

The dollar opened weak in Eurspe yesterday, reflecting its fall in New York on Friday, but soon recovered to around the DM 2.63 level, before closing unchanged against the D-mark, and near the top of the day's range against the major currencies. It was a thin and nervous dey on the foreign exchanges, without any new factors to influence trading. The threat of central bank intervention remained dominant, but the market was too thin to require other than e little smoothing by the German Bundesbank at the Frankfurt fixing. There was no sign of dollar sales by the Bank of Japan earlier in Tokyo, where the dollar continued to decline. Mr Yasuhiro Nakasone, the Japanese Prime Minister, is likely to face pressure for a strengthening of the yen against the dollar, when be visits the U.S. this week. The market is also nervous thet e meeting of leaders from the major industrial nations, due to take place in New York this week, will prompt further intervention by the central banks.

Lack of any major U.S. stotistics, until tomorrow when September durable goods orders will be published, gave no incentive to move the dollar. In Germany it was suggested the downward revision to 4 per cent in forecast fourth quarter U.S. gross national product growth had depressed the dollar, but the flash estimate is not due until December 23.

The dollar closed unchanged at DM 2.6365, and fell to FFr 8.04 from FFr 8.0450 and SwFr 2.1650 from SwFr 2.1685, but rose to Y215.70 from Y215.10.

£ IN NEW YORK

	Oct. 21	Prev. close
£ Spot	$1.4335-4345	$1.4290-4300
1 month	0.46-0.44 pm	0.44-0.42 pm
3 months	1.19-1.15 pm	1.19-1.15 pm
12 months	3.35-3.25 pm	2.96-2.87 pm

Forward premiums and discounts apply to the U.S. dollar

On Bank of England figures the dollar index eased to 130.6 from 130.7.

STERLING — Trading range against the dollar in 1985 is 1.4400 to 1.0525. September average 1.3657. Exchange rate index rose 0.4 to 81.0, compared with 79.5 six months ago. It opened at 80.8 and was at that level or 81.0 throughout.

Fading expectations of lower London interest rates, and the warning from the Chancellor of the Exchequer last Thursday of higher rates if necessary, led to increased demand for sterling yesterday. The pound gained 65 points to $1.4335-1.4345, and threatened to move to its highest level so far this year, touching a peak of $1.44. Sterling was also strong against other major currencies, rising to DM 3.78 from DM 3.7650; FFr 11.53 from FFr 11.4850; SwFr 3.1050 from SWFr 3.0950; and Y309.25 from Y307.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.6190. September average 2.8370. Exchange rate index 128.0 against 123.5 six months ago.

The D-mark showed little change against the dollar in quiet Frankfurt trading. The dollar recovered from an early low of DM 2.6140 and was fixed at DM 2.6311 compared with DM 2.6349 on Friday. The Bundesbank sold $17m at the fixing, but was not seen on the open market. The early low followed the trend set in Tokyo, where the dollar closed at DM 2.62075, and on Friday in New York, where it finished at DM 2.6277, against DM 2.6470 at Friday's London close. Trading was generally thin, but commercial demand helped the dollar recover, while the strong German equity market lent support to the D-mark. A forecast from five leading West German economic research institutes that gross national product will rise by 3 per cent next year had little impact. The forecast for this year was revised down slightly to 2.25 per cent from 2.5 per cent. The dollar closed in Frankfurt et DM 2.6330, compared with DM 2.6355 on Friday.

POUND SPOT—FORWARD AGAINST POUND

October 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4320-1.4400	1.4335-1.4345	0.47-0.44c pm	3.81	1.20-1.15pm	3.28
Canada	1.9526-1.9624	1.9565-1.9583	0.59-0.49c pm	3.31	1.46-1.31pm	2.83
Nethlnd.	4.24-4.27½	4.26½-4.27½	2¼-2c pm	5.98	5⅞-5¾pm	5.33
Belgium	76.28-76.86	76.55-76.65	23-18c pm	3.21	57-48pm	2.74
Denmark	13.66-13.72½	13.70-13.71	3-1⅞ore pm	2.13	7⅞-6¾pm	2.13
Ireland	1.2165-1.2215	1.2200-1.2218	0.28-0.14p pm	2.06	0.66-0.35pm	1.66
W. Ger.	3.75⅝-3.78½	3.77½-3.78½	2½-2¼pf pm	7.54	5¾-5¼pm	5.56
Portugal	230½-234¾	231½-234½	30-325c dis	-9.14	375-1390dis	-15.06

CURRENCY MOVEMENTS

Oct. 21	Bank of England Index	Morgan Guaranty Change %
Sterling	81.0	-9.4
U.S. dollar	130.3	+18.7
Canadian dollar	84.9	-8.8
Austrian schilling	116.9	+6.1
Belgian franc	92.0	-0.2
Danish Kroner	91.6	-3.9

FUTURES AND OPTIONS

Little movement

U.S. Treasury bond and Eurodollar contracts opened weaker, but then showed little movement, trading in a narrow range, on the London International Financial Futures Exchange yesterday. The major factor dominating both the cash and futures markets at present is the failure of the U.S. Congress to yet raise the Federal debt ceiling. Bond prices are supported by the lack of paper, but buyers are reluctant to become heavily involved until the ceiling is raised, when a very large and concentrated programme of Treasury auctions is anticipated. Chairman of the Federal Reserve, Mr Paul Volcker's speech in New Orleans came too late to influence the London market.

December Treasury bonds opened at 76-20, and touched a low of 76-18 when Chicago opened, but recovered to close near the day's high at 76-23, compared with 76-25 on Friday.

Eurodollars for December began at 91.79, and rose to a peak of 91.80 when the Fed added $1.5bn of temporary reserves to the New York banking system, through customer repurchase agreements, before falling back to close at 91.78, against the previous 91.83.

In Tokyo trade in 10-year Government yen bond futures remained high, but was only about half the extremely high volume of over 70,000 contracts on Saturday. Total volume on Monday was Y3,509.4bn, compared with Y7,067.4bn on Saturday, the first day of trading, but this was still three times the forecast daily average for the market. Contracts are in Y100m units. December remained the most heavily traded delivery date, closing at Y101.98 to yield 5.686 per cent, compared with Y102.02 and a yield of 5.692 previously. Liffe and the Chicago Board of Trade plan to introduce next year a yen bond futures contract fungible between the two centres.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4340	1.4286	1.4223	1.4128	1.3986

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7821	-0.11	+0.80	±1.5425
Danish Krone	8.12857	8.01715	-1.37	-0.88	±1.6421
German D-mark	2.23840	2.21154	-1.20	-0.49	±1.1456
French Franc	6.86402	6.74505	-1.73	-1.02	±1.3654
Dutch Guilder	2.52208	2.49588	-1.04	-0.33	±1.5162
Irish Punt	0.724578	0.714411	-1.40	-0.69	±1.6673
Italian lira	1520.60	1493.16	-1.80	-1.72	±4.0856

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 9¼-9½ per cent; three years 9¾-10 per cent; four years 10-10⅛ per cent; five years 10⅛-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others, two days' notice.

MONEY MARKETS

London rates hold steady

Interest rates remained steady on the London money market yesterday, with dealers seeing little prospect for an early change in the rate structure after last week's Mansion House speech by Mr Nigel Lawson, Chancellor of the Exchequer. Three month interbank finished unchanged at 11½-11⅝ per cent, and discount houses buying rates for three-month bank bills were 11⅜ per cent compared with 11⅜-11⅛ per cent.

The Bank of England forecast a money market shortage of £550m, and provided total help of £526m.

Before lunch the authorities bought £399m bills outright, by way of £16m bank bills in band 1 (up to 14 days maturity) at 11⅜ per cent; £162m bank bills in band 2 (15-33 days) at 11⅜ per cent; £158m bank bills in band 3 (34-63 days) at 11⅜ per cent; £4m local authority bills in band 4 (64-91 days) at 11⅜ per cent; and £59m bank bills in band 4 at 11⅜ per cent.

In the afternoon another £87m bills were purchased outright, through £27m bank bills in band 2 at 11⅜ per cent, and £60m bank bills in band 3 at 11⅜ per cent.

Late assistance of £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £974m, with bank balances below target absorbing £125m, in spite of Friday's total help of £734m on a forecast shortage of £700m. The usual post weekend fall in the note circulation partly offset these factors, adding £310m to liquidity, and Exchequer transactions provided another £230m, boosted by block grant of £375m paid to local authorities.

Temporary facilities for the banks were rolled forward at a rate for one-month money of 11⅜ per cent, roughly equal to the prevailing mid-market rate at the time.

In Frankfurt the Bundesbank offered to provide liquidity for the money market, by a 29-day securities repurchase agreement from tomorrw until November 21, at a fixed rate of 4.55 per cent. The result of the tender will be announced today, and is expected to roughly replace the DM 12.8bn draining from the market as a similar agreement expires tomorrow. Call money was around 4.50 per cent yesterday, compared with 4.45 per cent on Friday, in slightly tighter conditions as banks made tax payments on behalf of customers.

UK clearing banks base lending rate 11½ per cent since July 30.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	8⅛
Fed funds at intervention	8⅛
Treasury Bills & Bonds	
One month	7.09
Two month	7.24
Three month	7.45
Six month	7.72
One year	7.96
Two year	8.82
Three year	9.13
Four year	9.43
Five year	9.66
Seven year	10.02
10 year	10.17
30 year	10.44

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 21)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 3/16	bid 8 3/16	offer 9 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 21	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11¼-11¾	11⅜-11⅛	11⅜-11⅝	11⅜-11⅝	11⅜-11⅜	11½-11⅞
Sterling CDs	—	—	11⅜-11⅝	11⅜-11⅝	11½-11⅝	10⅞-11⅜
Local Authority Depos	11½	11⅜-11½	11½	11½	11⅜	11
Local Authority Bonds	—	—	10	11¾	11⅝	11¼
Discount Mkt Depos.	11-11⅜	11½	11⅜-11½	11½-11¼	—	—
Company Depos.	11⅝	11⅝	11¾	11¾	—	—
Finance Nse Depos.	—	—	11⅝	11½	11⅜	11⅛
Treasury Bills (Buy)	—	—	11⅜	11⅜		

MONEY RATES

Oct. 21	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.45-4.55	4.60-4.75	4.6-4.7	4.70-4.85	4.75-4.85	5.5

LONDON

CHICAGO

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 21, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.25
Algeria	Dinar	(A)6.90
Andorra	French Franc	11.53
	Spanish Peseta	230.535
Angola	Kwanza	43.3045
Antigua	E. Caribbean $	3.87
Argentina	Austral	1.1497
Australia	Australian $	2.0385
Austria	Schilling	26.575
Azores	Portuguese Escudo	235.0
Greenland	Danish Kroner	13.7035
Grenada	E. Caribbean $	3.87
Guadaloupe	Local Franc	11.53
Guam	U.S. $	1.4340
Guatemala	Quetzal	1.4340
Guinea	Syli	33.56
Guinea-Bissau	Peso	911.11
Guyana	Guyanese $	6.03
Haiti	Gourde	7.17
Honduras	Lempira	2.89
Peru	Sol	exc(A)20,824.8
Philippines	Philippine Peso	26.00
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.4625
Poland	Zloty	210.78
Portugal	Portuguese Escudo	235.0
Puerto Rico	U.S. $	1.4340
Qatar	Qatari Ryal	5.2323

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101	99	Exch. 12¼pc 1985	100	....	12.25	12.15
101	99	Exch. 11¼pc '86	100	+	11.74	11.12
99¼	97	Treas. 10pcCnv 1986	99		10.04	10.98
96½	92¾	Treas 3pc 1986	96¼	–	3.12	9.97
100	97½	Exch. 10½pc Cv '86	99¾	+	10.51	10.92
101⅞	99¾	Treas 12pc 1986	100		13.94	10.96
98½	94¼	Treas 8¾pc 1984-86‡‡	98½		8.64	10.83
105	102	Exch. 14pc 1986	102	....	13.60	10.89
94½	87¼	Exch. 2½pc 1986	94	....	2.65	8.05
104	101¼	Exch. 13¾pc 1987	102	....	12.89	10.68
[illegible]	[illegible]	Treas 10¼pcCv '87	99		10.31	10.63

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
45	34	Maclellan (P & W) 20p	45	.....	71.7	2.3	5.4	9.3
77	46	Magnolia Group	74	....	2.6	3.0	5.0	9.0
48	28	Mammet Hldgs 10p	42	....	—	—	—	♦
480	202	Man. Ship Can. £1	457	−16	5.5	3.5	1.7	24.0
104	70	Marley	90	....	3.75	2.2	6.0	10.9
107	52	Marling Ind. 10p	85	....	d1.5	5.1	2.5	10.8
82	36	Marshall L'xy. 'A'	74	....	†2.4	4.9	4.6	5.3
77	55	Marshall's Universal	58	−1	†2.0	1.4	5.0	(18.1)
86	78	Do. 7½pcCnRedPf £1	83	....	7½%	—	12.9	—
£99	£81	Mathesons 7¼%	£99	....	Q7¼%	2.3	(8.0)	—
35	15	Maxprint 1p	15	−1	—	—	—	—
520	375	Metal Box £1	517	−1	17.25	3.1	4.8	7.0
170	110	Metal Closures	125	−6	6.7	2.0	7.7	7.8
17	3	Metal Sciences 2½p	6½	....	—	—	—	—
104	63	Midland Marts	77	....	4.0	2.1	7.5	9.1
83½	55½	Mitchell Cotts	66	....	4.25	♦	9.6	♦
230	182	Morgan Crucible	198	+1	18.0	1.6	5.9	13.5
33	22	Morris (W) F A. 20p	32	−½	90.5	♦	2.1	♦
131	91	Moss (Robt.) 10p	126	−2	3.0	2.5	3.4	15.9
81	60	Myson Grp 10p	62	....	q2.5	3.4	5.9	11.6
328	214	NMW Computers	260xd	....	†h4.8	2.7	2.6	20.0
43	28	Nash Inds.	30	....	†2.5	1.5	‡	6.9
48	16	Neil & Spencer 10p	18	−1	♦	—	—	5.4
44	14½	Newman Inds 10p	29xd	....	20.3	—	1.5	(13.7)
46	26	Nolton	43	−2	†1.17	♦	3.9	♦
196	146	Norcros	196	+1	8.6	2.1	6.3	9.8
67	45	Nu-Swift 5p	49xd	....	†3.0	1.9	0.7	7.9
134	68	Oakwood Grp	105	−2	†h4.5	1.4	6.1	(15.4)
250	150	Office & Elect	220	....	†7.5	2.6	4.9	11.1
100	75	Oldacre 20p	95	+2	4.0	2.6	6.0	8.4
58	37	Optometrics $0.01	42	−1	u002c	—	3.7	—
495	312½	Oriflame £1	450	....	†23.4	1.0	5.2	10.7
18	9	Ovenstone 12½c	9	....	q03.22c	1.9	9.6	5.6

LEISURE—Continued

1985 High	Low	Stock	Price	+ or −
210	177	Central TV N/V 50p	205	.....
235	170	Chrysalis	235	....
52	7	Entertain Prod 5p	15	....
78	50	Fairline Boats 10p	72	....
391	228	First Leisure £1	389	−2
69	51	GRA Group 5p	58	....
32	25	Grampian TV'A' 10p	30	....
167	117	HTV Non/Vtg.	152xd	....
148	78	Horizon	85	−3
184	90	Insight	152	....
140	102	Intl Leisure 10p	129	....
232	115	Juliana's Hldgs 2p	127xd	....
300	217	LWT	282	....
38	25	Leisure Inv 10p	34	....
65	53	Leisuretime Int 10p	55	....
115	98	Lewscar	118	....
183	153	Media Tech Int 20p	167	−8
205	124	Meditrainer 10p	165	....
280	175	Miss World 10p	245	....
127½	70	Nationwide Leisure	74	−1
39	14½	Mundo Int 20c	15½	....
27	19½	Owners Abroad	22½	....
53	38	Photax (Lon.)	44	....
24½	19½	P'dilly Radio NV 5p	19½	....
90	30	Pineapple Dnc St 10p	52	....
316	183	Pleasurama 5p	316	....
152	109	Do. 7pcCvCnvRedPf	151	−1
96	77½	Pres Entertain 50p	87½xd	+5½
65	18	Radio City 'A' NV	20	+2
55	42	Radio Clyde N/V	43	+1
63	34	Riley Leisure 10p	42	....
193	143	Saga Hols. 20p	180	....
300	108	Samuelson Grp 20p	295xd	....

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	98	....
Craig & Rose £1	780	.....
Finlay Pkg. 5p	54	.....
Higsons Brew	235	.....
Holt (Jos) 25p	715xd	....
IoM Stm. £1	87	....
IRISH		
Fund 11¼% 1988	£101½	.....
Nat. 9¾% 84/89	£97¼	....
Fin. 13% 97/02	£108¼	.....
Arnotts	295	....
CPI Hldgs	62	....
Carroll Inds.	140	....
Dublin Gas	77	....
Hall (R. & H.)	59	....
Heiton Hldgs.	22	....
Irish Ropes	45	.....
Unidare	100	−3

For Jacob (W. & R.) see Foods

"Recent Issues" and "Rights" Page 40
(International Edition Page 48)

LONDON STOCK EXCHANGE

MARKET REPORT

Largest-ever takeover bid fails to arouse interest in sober stock market session

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 30	Oct 10	Oct 11	Oct 21
Oct 14	Oct 24	Oct 25	Nov 4
Oct 28	Nov 7	Nov 8	Nov 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

The largest takeover bid ever made for a British group failed to enliven a sober trading session in London stock markets yesterday. Leading shares lacked the momentum which last week took the FT Ordinary share index to a series of new peaks, and some drifted easier on profit-taking. Demand for international stocks was stifled by sterling's firmness against the dollar, while the Chancellor's call for more defence spending cuts inhibited interest in a range of other issues.

Hopes that announcement of the well-signposted Elders IXL offer for Allied-Lyons would touch off widespread bid speculation were soon thwarted. The terms of 255p cash per for each Allied-Lyons share, quickly rejected by the latter's board, aroused little excitement or subsequent market activity. Dealers and investors alike considered the bid to be the opening shot in a possible long battle for control of the UK brewing and food group.

The scene otherwise was one of equity values, with the exception of stocks recommended in the weekend Press, attempting to consolidate recent good gains. Although the FT Ordinary share index finally shed 2.9 to 1,048.0, the undertone was adjudged fully steady with sentiment helped by broking house forecasts of lower interest rates before the year end. The chances of an early fall in bank base rates were said to have increased yesterday following the pound's strength.

The currency factor influenced buying of Gilt-edged securities but business overall was not sufficient to test the authorities for stock in the two new issues announced after-hours on Friday; no bids were made for supplies of either the £200m tranche of Treasury 9½ per cent 1999 or the £400m issue of Conversion 9½ per cent 2005. With few sellers operating, however, short and longer-dated maturities regained opening falls before easing again later to close on a mixed note. The shorts settled with a predominance of small gains while the longs ended a touch off on balance.

Clearers up again

Investors continued to support the major clearing banks. NatWest advanced 15 afresh to 702p, while Lloyds moved up 10 to 452p. Barclays put on 5 to 422p and Midland edged forward a few pence to [illegible]. Merchant banks met with selective support and featured Leopold Joseph, 18 dearer at 280p in a thin market. Mercury Securities put on 20 at 590p and Schroders firmed ½ to £10¼. J. Rothschild hardened a couple of pence to 108p in response to Press comment, while Manson Finance revived with a speculative gain of 3 to 30p.

Press speculation that Commercial Union was contemplating a £500m separate flotation of its life assurance interests attracted early business and the shares touched 260p before reacting to close 3 dearer on balance at 256p. Other Composites also reacted from a firm start and Royals closed 4 off at 713p, after 722p. Lloyds Brokers moved higher in places. Minet gained 4 to 228p as did Sedgwick, to 382p.

Most of the interest in the drinks sector centred upon Allied Lyons, down 5 at 270p, after 266p, following the bid from Elders IXL. Elsewhere, Distillers drifted quietly lower and closed 6 off at 426p, after 424p, following weekend Press speculation that the company is on the verge of making a major U.S. acquisition to help discourage a bid from Argyll Group.

Losses were in the majority among Building issues. AMEC, unsettled by the announcement of the resignation of director Mr R. Barber, fell away on nervous offerings to close 12 lower at 240p. Henderson Group, down 13 more at 230p, encountered further selling ahead of the interim figures, due shortly, while profit-taking clipped 4 from John Maunders at 150p, after 145p. Crest Nicholson hardened a penny to 121p on news of the agreed bid from C. H. Pearce, which fell 50 to 675p. Comment on the bid situation left SGB 4 cheaper at 226p, but buyers showed occasional interest in Taylor Woodrow, 10 higher at 510p, and RMC, 4 firmer at 345p.

ICI, awaiting Thursday's third-quarter figures, traded on a subdued note and closed 7 lower at 647p.

Store leaders quiet

Leading Stores held up well with sentiment helped by the latest CBI/FT distributive trades survey which forecasts a recovery in retail sales in October. Elsewhere, mail orders gave a firm showing with Freemans 6 dearer at 322p and Grattan 4 up at 310p. J. Hepworth added 6 to 216p in reply to Press comment, but Harris Queensway lost 4 to 254p and Lee Cooper relinquished 3 to 130p ahead of their respective interim statements, due today. Adverse comment in front of next Monday's first-half figures initially depressed Goldsmiths which dropped to 153p before buyers appeared to leave the shares only 2 easier on balance at 160p.

The threat of cutbacks in Government defence spending deterred buying of leading Electricals. GEC drifted down to 162p before closing a couple of pence easier on balance at 164p. Elsewhere, Eurotherm reflected revived takeover talk with a rise of 18 at 295p. Amstrad firmed 10 to 158p, after 160p. Klark-Teknik rose 7 to 105p in anticipation of today's preliminary figures, while Louis Newmark attracted renewed support at 250p, up 15.

Reflecting the absence of fresh support, leading Engineers drifted lower. Hawker, 403p, and Vickers, 310p, gave up around 5 apiece, while GKN closed 3 easier at 257p. Secondary issues also traded on a relatively subdued note, but still displayed the occasional bright spot. Stothert and Pitt rallied 9 to 135p after last Friday's shake-out on the annual loss. APV were firm at 260p, up 8, while buying ahead of Friday's interim statement left Clayton Son 5 better at 133p. Spencer Clark were noteworthy for a gain of 5 to 56p. News that losses at TI machine tools should be about 30 per cent lower, failed to inspire TI which closed a shade easier at 396p.

Tate and Lyle continued firmly in Foods, rising 13 to 498p, after 503p; the movement was accompanied by revived takeover gossip. Cadbury Schweppes, popular last week on the announcement that Morgan Guaranty nominees hold around 11 per cent of the group's equity, hardened a couple of pence more to 151p, while Bernard Matthews jumped 25 to a 1985 peak of 540p following publicity given to a broker's bullish circular. Asset injection hopes continued to spur Somportex which gained 2 more to 135p, while renewed demand in a restricted market left E. and J. Sutherland 5 dearer at 103p. Associated Fisheries found support at 100p, up 4, while gains of 5 and 15 respectively were recorded in Hunter Saphir, 133p, and Meadow Farm Products, 375p. Call option activity after Press comment helped Barker and Dobson harden a fraction to 11¾p.

Awaiting news of the possible management buy-out of Mecca Leisure and Warner Holidays, Grand Metropolitan cheapened 5 to 360p. Garfunkels Restaurants new nil-paid shares ended the session at 32p premium, after 28p premium.

Smiths Inds. rise

Interest revived in Smiths Industries which rose 8 to 221p ahead of the preliminary figures, expected next month, while Channel Tunnel, due to announce the interim statement on Friday, rallied smartly to close 55 higher at 225p. Enlivened by the recent bid for Walker and Homer, Furniture shares met with speculative demand. Parker Knoll A featured a rise of 14 at 250p, while Gommo Holding, 46p, and Stag, 75p, rose 4 and 2 respectively. High Point Services responded to the annual results with a rise of 10 to 460p, after 470p, but Pavion dipped 10 to 64p after the interim figures and board changes. Further unwinding of speculative positions left English China Clays 7 cheaper at 253p, while European Ferries met with profit-taking and eased to 146p before buyers reappeared and brought a close of 147½p, down 4 on the day. News that the company had exercised its option on land situated in France adjacent to Geneva airport directed buying attention to I. D. and S. Rivlin, up 5 at 90p. Sale Tilney were noteworthy for a rise of 10 to 237p along with British Vita, 8 to the good at 190p. Low and Bonar improved 5 more to 352p, while Press mention stimulated occasional interest in Granada, 4 better at 198p and Coin Industries 4 higher at 60p. Alexander Workwear, still benefiting from the recent results, put on 4 more to 201p. Apart from BTR, which encountered scattered offerings and closed 10 lower at 373p, leading miscellaneous industrials rarely strayed from their previous closing levels.

Jaguar stood out in Motors, rising 7 to 301p on a weekend Press report that the group is to receive a U.S. big board listing early next year. Elsewhere, Automotive Products reflected a newsletter recommendation with a rise of 3 to 80p, while AE hardened a couple of pence to 136p following the sale of a West German subsidiary. Kennings, however, lost 5 to 133p as takeover hopes faded, while Lucas, strongly supported of late amid talk of a 600p per share consortium offer, eased a few pence to 440p, after 438p. Aerospace Engineering, at 48p, lost 3 of last week's good rise which followed the appointment of a new chairman.

Bristol Evening Post were outstanding among Newspapers, jumping 45 to 595p on the announcement that Kent Holdings had increased its stake in the company to nearly 21 per cent. Elsewhere, DRG improved 2 more to 218p following Press comment, but More O'Ferrall dropped 7 to 80p, after 75p, in reaction to the interim profits setback. Lowe Howard Spink fell 11 to 322p and Saatchi Saatchi gave up 10 at 700p.

Features in Properties were few and far between. Regalian added 10 afresh to 320p following details of the Langworthy Estate acquisition. Markheath, on the other hand, softened 2 to 45p after the interim deficit.

Harold Ingram, 25 higher at 120p on revived speculative support, provided an isolated firm spot in Textiles.

Currency considerations depressed Bats which fell 7 to 260p. Rothmans International cheapened 2 to 122p.

Weekend Press comment dampening hopes of a bid from Guinness Peat induced profit-taking in Britannia Arrow which fell away gradually to close 7 down on balance at 124p.

Trading in the oil sector was described as routine. The leaders drifted back initially on lack of interest but came off the bottom towards the close of business. BP slipped to 546p early on but picked up to end the day 2 couple of pence harder at 550p. Shell, on the other hand settled 8 cheaper at 690p. Successful testing of North Sea well 49/5-2 failed to stimulate interest in Ultramar which gave up 2 to 195p. Second-line oils showed Energy Capital 4 up at 72p, but Caledonian Offshore attracted renewed selling pressure and dropped 20 more to 320p. Australia's Oil Search were a fraction firmer at 46p on talk of an imminent drilling report from the Mananda 3 exploration well drilled in Papua New Guinea.

Golds at 38-mth lows

There was virtually nothing going in favour of the South African mining market which fell away to the lowest levels for over three years.

The agreement on limited economic sanctions against South Africa reached by Commonwealth Heads of Governments in the Bahamas, the spate of civil unrest in the Republic and another disappointing performance by bullion all served to deter investors.

Gold shares opened on a steady enough note but sentiment was quickly unsettled by a further deterioration in the Financial Rand, which dropped to a record low against the U.S. dollar. Share prices were subsequently marked down sharply and sterling quotations were additionally weakened by the latest appreciation of the pound against the dollar. At the close of trading the leading heavyweight Golds were a fraction above the day's lowest levels but losses still stretched to a maximum of £2 as in Randfontein, £50¾. Vaal Reefs were similarly weak and registered a £1½ fall at £43¼, while declines in the region of ¾ were common to Winkelhaak, £11¼, Driefontein, £11⅞, Southvaal, £20¾ and Western Holdings, £17¼.

The Gold Mines index, posting its fourth successive decline, gave up 9.8 more to a 38-month low of 272.7. Bullion settled 50 cents easier at $325.75 an ounce.

Weekend events in South Africa, the easier bullion price and profit-taking left Consolidated Gold Fields a few pence lower at 445p, while Rio Tinto-Zinc gave up a further 5 at 540p. Among generally depressed South African Financials, De Beers dipped 11 to 304p, having equalled the 1985 low of 302p, while falls of around 50 were common to Anglo American Corporation, 760p and Gold Fields of South Africa, 775p. Platinums retreated in sympathy and Impala lost 27 to 578p. Rustenburg gave up 20 to 520p despite the chairman's comment that profits in the first three months are running substantially ahead.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 21	Nov 1	Jan 23	Feb 3
Nov 4	Nov 15	Feb 6	Feb 17
Nov 18	Nov 29	Feb 20	Mar 3

For rate indications see end of Unit Trust Service

Stocks to attract money for the call included Aspinall Holdings, Goodman Bros, Osceola, Standard Telephones and Cables, C. H. Bailey, Falcon Resources, Times Veneer, Tranwood, Birmid Qualcast, Britania Arrow, Scusa, Amstrad, Barker and Dobson and Hillsdown Holdings. No puts were reported, but a double option was arranged in Energy Capital.

FINANCIAL TIMES STOCK INDICES

	Oct. 21	Oct. 18	Oct. 17	Oct. 16	Oct. 15	Oct. 14	year ago
Government Secs	84.33	84.57	84.33	84.20	84.20	84.16	78.27
Fixed Interest	60.54	90.28	90.22	90.06	90.08	89.21	84.09
Ordinary ♥	1048.0	1050.9	1045.6	1034.2	1026.2	1028.8	855.5
Gold Mines	972.7	282.5	284.8	283.1	292.2	294.6	542.5
Ord. Div. Yield	4.65	4.60	4.63	4.68	4.73	4.65	4.26
Earnings, Yld. %(full)	11.38	11.26	11.35	11.44	11.56	11.68	11.83
P/E Ratio (net) (*)	10.83	10.27	10.88	10.80	10.68	10.67	10.14
Total bargains (Est.)	24,253	24,207	22,988	23,239	23,610	24,498	17,602
Equity turnover £m.	—	508.88	658.41	486.66	450.74	630.92	179.27
Equity bargains	—	22,408	22,277	21,043	22,306	23,793	12,617
Shares traded (ml)	—	233.0	297.2	227.9	228.7	255.4	22.5

10 am 1050.1. 11 am 1048.8. Noon 1048.2. 1 pm 1046.9.
2 pm 1046.4. 3 pm 1047.1. 4 pm 1048.3.
Day's High 1050.7. Day's Low 1046.4.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35.
Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
* Nil=10.46.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.37 (10/10)	78.09 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.54 (21/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1050.9 (18/10)	911.0 (25/7)	1050.9 (18/10/85)	49.4 (26/6/40)
Gold Mines	333.2 (15/4)	279.7 (21/10)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Oct. 18	Oct. 17
Daily Gilt Edged Bargains	168.8	130.6
Equities Bargains	143.2	148.9
Equities Value	1,022.6	1,290.4
5 day Average Gilt Edged Bargains	142.3	140.0
Equities Bargains	148.3	132.2
Equities Value	1,037.1	1,067.8

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
AMEC	240	−12
Allied-Lyons	270	− 5
Armstrong Equipment	70	− 1½
Automotive Prods.	80	+ 3
Commercial Union	256	+ 3
European Ferries	147½	− 4
Jaguar	301	+ 7
Ladbroke	293	− 2
Maunders (J.)	150	− 4
Pavion International	64	−10
Royal Insurance	713	− 4
Tate and Lyle	500	+13

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Euro. Ferries	22	151½	+ 6½
Brit. Aerospace	17	456	+13
Grand Met.	16	365	+ 3
Bass	13	620	+10
Glaxo	13	£13⅝	+ 0¼
Midland Bank	15	413	+10
Thorn EMI	13	381	+12
Unilever	13	£11½	+ 0⅛
Allied-Lyons	14	275	− 1
ICI	14	654	+ 2
Barclays	13	417	+ 5
NatWest Bank	13	687	+12

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

For Greenfields Black see Blacks Leisure.

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. ‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (116)

BRITISH FUNDS (4)
INT. BK. & O'SEAS GOVT. STLG. ISS. (7)
CORPORATION LOANS (1)
LOANS (7)
BANKS (6)
BREWERS (1)
BUILDINGS (6)
CHEMICALS (3)
STORES (4)
ELECTRICALS (7)
ENGINEERING (6)
FOODS (6)
INDUSTRIALS (19)
INSURANCE (5)
NEWSPAPERS (2)
PAPER (2)
PROPERTY (13)
TEXTILES (2)
TOBACCOS (1)
TRUSTS (16)
OILS (1)
MINES (1)

NEW LOWS (68)

AMERICANS (9)
American Tel & Tel. Cullinet Software
Amfac Honeywell
Browning-Ferris Southwestern Bell
CityFed Fin. Sperry
Colt Inds.
ELECTRICALS (3)
Grosvenor Prestwick
Plasmec
INDUSTRIALS (7)
Bespak Rockware
Fertil-A-Chron Schlumberger
Maxdprint Standard Fireworks
Pacer Systems
INSURANCE (2)
Dewey Warren Liberty Life
LEISURE (1)
21st Century Dist.
MOTORS (1)
Solex A
NEWSPAPERS (1)
Intl. Thomson
PAPER (2)
Addcom Intl. Eucalyptus Pulp
SOUTH AFRICANS (2)
Barlow Rand SA Breweries
TRUSTS (3)
North Sea Assets Ind. Fin. & Inv.
Pacific Assets Tst.
OILS (4)
Claremont Petrol. Cont. Intl. Pet.
Conroy Pet. Nat. Resources Oliver Resources
PLANTATIONS (2)
Anglo-East Plants. Rowe Evans Inv.
MINES (31)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	26	32	51
Corpns. Dom. and Foreign Bonds	23	6	50
Industrials	304	278	903
Financial and Props.	113	88	361
Oils	18	20	89
Plantations	4	3	11
Plantations	4	3	11
Mines	18	78	90
Others	28	76	104
Totals	534	561	1,659

LONDON TRADED OPTIONS

[illegible]

October 21 Total Contracts 7,783 Calls 5,665 Puts 1,... *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 17,784
A=Ask B=Bid C=Call P=Put

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex right. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm October 21

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

New York Active Stocks

[illegible]

TORONTO	Oct 21	Oct 18	Oct 17	Oct 16	1985 High	1985 Low
Metals & Minls	1,838.1*	1,838.14	1,846.8	1,857.51	2190.7 (13/2)	1839.3 (8/11)
Composite	2,646.7*	2,646.88	2,648.6	2,645.17	2819.9 (30/8)	2348.5 (8/11)
MONTREAL Portfolio	128.28*		128.74	128.60	139.33 (19/7)	117.80 (4/1)

* Indicates pre-close figure

[illegible]

** Saturday October 19: Japan Nikkei-Dow 13,015.7. TSE 1,034.06.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 51

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Amstrad	158	+10
Bristol Post	595	+45
Channel Tunn	225	+55
Eurotherm	295	+18
Hepworth	216	+ 6
High-Point	460	+10
Ingram (H)	120	+25
Jaguar	301	+ 7
Klark-Tek	105	+ 7
Lloyds	452	+10
Manson Fin	30	+ 3
Matthews (B)	540	+25
NatWest	702	+15
Parker Knoll	250	+14
Regalian Prop	320	+10
Smiths Inds	221	+ 8
Stothert & P	135	+ 9
Tate & Lyle	500	+15

FALLS

AMEC	240	−12
Allied-Lyons	270	− 5
BTR	393	−10
Brt Arrow	124	− 7
Distillers	428	− 6
Eng China Clays	253	− 7
Henderson	230	−13
ICI	647	− 7
Kenning Motor	133	− 5
M O'Farrall	80	− 7
Pavion It	64	−10
Pearce (CH)	675	−50

North American quarterly results

Continued from Page 31

W. W. GRAINGER
Electric motors

Third quarter	1985 $	1984 $
Revenue	286.6m	270.2m
Net profits	18.7m	18.1m
Net per share	0.64	0.63
Nine months		
Revenue	843.1m	796.2m
Net profits	52.3m	50.4m
Net per share	1.80	1.74

HERCULES
Chemicals, plastics

Third quarter	1985 $	1984 $
Revenue	613.5m	672.1m
Net profits	33.3m	55.9m
Net per share	0.60	1.00
Nine months		
Revenue	1.95bn	1.95bn
Net profits	111.1m	153.1m
Net per share	2.00	2.74

KIMBERLY-CLARK
Tissues, newsprint

Third quarter	1985 $	1984 $
Revenue	1.01bn	905m
Net profits	82.3m	52.7m
Net per share	1.36	1.15
Nine months		
Revenue	3bn	2.7bn
Net profits	213.5m	172.2m
Net per share	4.67	3.78

LONE STAR INDUSTRIES
Cement, concrete

Third quarter	1985 $	1984 $
Revenue	255m	279.8m
Net profits	35.7m	11.4bn
Net per share	2.44	0.48
Nine months		
Revenue	660.7m	749.5m
Net profits	40.4m	14.9m
Net per share	2.71	0.02

MACMILLAN
Publishing

Third quarter	1985 $	1984 $
Revenue	227.9m	173m
Net profits	27.4m	19.9m
Net per share	1.23	1.02
Nine months		
Revenue	472.8m	355.2m
Net profits	38.6m	24.2m
Net per share	1.65	1.28

MCORP
Banking

Third quarter	1985 $	1984 $
Revenue	--	--
Net profits	32.9m	36.3m
Net per share	0.75	0.84
Nine months		
Revenue	--	--
Net profits	104m	–
Net per share	2.40	—

MAYTAG
Domestic appliances

Third quarter	1985 $	1984 $
Revenue	175.6m	154.6m
Net profits	19.1m	15.5m
Net per share	1.40	1.14
Nine months		
Revenue	525.6m	480.2m
Net profits	55.9m	48m
Net per share	4.12	3.51

NEW YORK TIMES
Diversified media

Third quarter	1985 $	1984 $
Revenue	334.2m	289.1m
Net profits	22.6m	20.4m
Net per share	0.56	0.51
Nine months		
Revenue	1bn	893m
Net profits	86.1m	72.6m
Net per share	2.15	1.83

NICOR
Gas distribution, energy

Third quarter	1985 $	1984 $
Revenue	284.4m	304m
Net loss	7.2m	3.1m
Net per share	0.31	0.16
Nine months		
Revenue	1.75bn	1.82bn
Net profits	46.6m	50.7m
Net per share	1.57	1.69

NORWEST
Multibank holding company

Third quarter	1985 $	1984 $
Revenue	--	--
Net profits	28.9m	†24m
Net per share	0.80	†0.98
Nine months		
Assets	20.33bn	21.57bn
Net profits	85.4m	42.2m
Net per share	2.56	1.08

†Loss

OLIN
Chemicals, paper

Third quarter	1985 $	1984 $
Revenue	427.1m	430.8m
Net profits	*5.5m	13.1m
Net per share	*0.23	0.58
Nine months		
Revenue	1.36bn	1.37bn
Net profits	*31.3m	65.6m
Net per share	*1.36	2.80

* Excludes $230m or $10.01 p.s. restructuring charge

PENN CENTRAL
Energy eqpt., electronics

Third quarter	1985 $	1984 $
Revenue	570.4m	614.5m
Net profits	12.4m	36.6m
Net per share	0.31	0.86
Nine months		
Revenue	1.86bn	1.86bn
Net profits	83.6m	131m
Net per share	2.08	2.85

REPUBLIC AIRLINES
Airline

Third quarter	1985 $	1984 $
Revenue	448.5m	385.5m
Op. net profits	24.2m	0.1m
Op. net per share	0.63	0.15

SCHERING-PLOUGH
Drugs

Third quarter	1985 $	1984 $
Revenue	472.1m	464.1m
Net profits	43.4m	38.3m
Net per share	0.85	0.75

SEA-LAND
Shipping

Third quarter	1985 $	1984 $
Revenue	425m	464.8m
Net profits	8.2m	27.9m
Net per share	0.36	1.21
Nine months		
Revenue	1.24bn	1.34bn
Net profits	28.6m	68.8m
Net per share	1.23	3.02

TANDY
Consumer electronics retailer

First quarter	1985-86 $	1984-85 $
Revenue	701.2m	607.2m
Net profits	41.7m	37.4m
Net per share	0.47	0.41

Prices at 3pm, October 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	16	AAR	.56	2.4	15	12	23⅝	23⅛	23⅜	+⅛
17⅜	8¾	AGS			11	45	14⅛	13⅞	14	
50¾	29¾	AMR			7	1276	41⅛	40⅛	40½	+¼
23⅝	18⅝	AMR	pf2.18	8.4		9	23¼	23¼	23¼	
25⅞	23	ANR	pf2.67	11.		1	23¾	23¾	23¾	
22	19	ANR	pf2.12	11.		1	19⅝	19⅝	19⅝	−⅛
14	7⅝	APL				7	10	10	10	−⅛
61⅛	34¾	ASA	2	5.6		161	36⅜	36	36	−½
27	16½	AVX	.32	2.7	17	48	11⅞	11¾	11⅞	+⅛
28⅛	19¼	AZP	2.72	11.	7	1346	24⅞	24½	24⅞	+¼
60	38⅝	AbtLab	1.40	2.5	15	892	57¼	56¾	56⅞	−½
35⅞	19⅝	AccoWd	.60	2.2	17	178	28	27¾	28	+⅜
34¾	12⅞	AcmeC	.40	3.2		133	12¾	12⅜	12½	+¼
10⅞	7⅜	AcmeE	.32b	4.3	11	11	7½	7⅜	7⅜	−⅛
19	15½	AdaEx	1.92e	11.		55	17⅞	17½	17⅝	−⅛
20	13½	AdmMl	.32	1.8	7	4	17½	17⅜	17⅜	−⅛
16⅛	8⅝	AdvSys	.36t	3.8	20	31	14⅛	14	14	−⅛
36⅞	22⅛	AMD			36	3814	24¾	24⅛	24¼	−⅜
12⅛	6⅞	Advest	.12	1.4	16	54	8⅞	8⅝	8¾	
15⅞	10	Aerflex			13	429	15⅛	14⅝	15¼	+½
48⅝	34⅛	AetnLf	2.64	5.7	18	1627	46½	46¼	46⅜	
57½	53¼	AetL	pf5.41e	9.8		6	56½	56¼	56½	+⅜
[illegible]										

Kidder, Peabody International

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International Investment Bankers

An affiliate of

Kidder, Peabody & Co.

Incorporated

Founded 1865

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Continued on Page 51

NYSE COMPOSITE PRICES

Continued from Page 50

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
21¼	15⅜	Ranco	.64	4.9	9	2	17½	17½	17⅛	−¼
5⅞	2½	RangrO				1816	3¼	3⅛	3⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, October 21

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 49

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Bid places focus on retailers

THE PLANNED leveraged buyout of R. H. Macy, the leading department store group, again stirred takeover speculation on Wall Street and turned the spotlight on to the retail trading sector, *writes Terry Byland in New York.*

Blue chip industrials were little changed.

However, trading generally remained brisk, but the trend was again somewhat mixed.

At 3pm the Dow Jones industrial average was down 3.14 at 1,365.70.

The plan by Macy's chairman and senior management to offer a large premium on the market price for the equity of the store sounded a signal throughout the department store sector.

If the deal goes through, Macy stockholders stand to receive $70 a share cash, against a pre-bid market price of $47. After a lengthy delay Macy stock opened on the New York Stock Exchange $17 higher at $64⅛, in heavy turnover. The new market valuation indicated that the arbitrageurs do not, at this stage, expect any rival offer but will wait to see the formal bid from the management group.

Speculators quickly moved their attention to other retail stores to spot the next prospect for an insider buyout or an outside bid.

May Department Stores, $2⅞ higher at $58½, and Federated Department Stores, $2 higher at $66, were the first to attract buyers.

But Carter Hawley Hale, which a year ago fought off a bid from The Limited, the Chicago store, jumped $1½ to $29⅞. Allied Stores, at $60¼, gained $3⅛, also in brisk trading.

F. W. Woolworth, attractive because of its properties, rose by $2¼ to $52⅞, although turnover was not heavy.

But some of the well-known names failed to ignite. Sears, virtually bid-proof by virtue of its size and strength, dipped $⅛ to $33½ after disclosing lower profits. J. C. Penney rose sharply at first but was later off the top at $49, a net gain of $¾.

In contrast, manufacturing stocks showed few features. IBM was unchanged at $127⅞, amid lifeless trading in technology issues. Burroughs steadied by $⅛ to $55⅛, Honeywell at $60¼ was $⅜ off and Digital Equipment shed $⅝ to $107⅞.

Semiconductor issues edged ahead after a dull start – Motorola adding $¼ to $32¼ and National Semiconductor $¼ to $68⅞.

United Technologies, which is closing down its Mostek semiconductor unit, eased a further $⅛ to $40. General Dynamics ran into renewed selling, which left the stock $1½ down at $65½.

But other defence issues held steady, behind McDonnell Douglas, which added $¼ to $70, and Boeing, up $⅛ at $45⅞.

The onset of the results season among the oil companies saw Ashland down $¼ at $35 and Occidental Petroleum up $⅛ at $33⅞, both after disclosing trading statements. Amoco, formerly Standard Indiana, eased $¼ to $67¼, also on results.

But the most active feature was Standard Oil of Ohio which jumped $3⅛ to $50⅞ as British Petroleum sought a $6.5bn credit, sparking speculation that it might buy out the outstanding 45 per cent of Standard Ohio's equity.

Domestic airlines edged ahead, led by United, $¼ up at $49 and American, $¼ up at $40½ in response to the trading results.

Bid speculation in Pan American died down, leaving the stock $¼ off at $8⅜.

Among other recent takeover issues, Beatrice Foods at $45⅞ eased by $½ in brisk trading as the board rejected the $40 a share offer by Kohlberg Kravis, with the market sensing a higher bid might be accepted.

Revlon shaded uneasily by $¼ to $55⅞, after Pantry Pride lifted its offer to $58 a share, only a shade above the offer from Forstman Little.

The credit sector made little move from its recent lethargy despite a rise in federal funds to above the 8 per cent mark again.

Short-term rates edged higher, while in the bond market, rates were a shade down in light trading.

From today, the Market Monitors panel will include the Merrill Lynch Treasury Index as a measure of the performance of the U.S. government bond market.

Using December 31 1983 as a base value of 100, the index computes total return to investors, including changes in price, interest accruals and coupons paid, with interest reinvested in the entire market.

The yield shown is the par value weighted average of all the securities in the sector.

TOKYO

Cautious mood limits rise

CONCERN over recent price rises kept investors on the sidelines in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Institutional and individual investors were also worried about the outcome of talks between Japan's Prime Minister Yasuhiro Nakasone and U.S. President Ronald Reagan within the next week on the bilateral trade imbalance.

The Nikkei-Dow market average added 7.52 to 13,023.21 on volume of 202.3m shares, down sharply from last Friday's 371.5m. Losses outnumbered gains by 389 to 363 with 159 issues unchanged.

Later this week corporations such as Hitachi will begin publishing mid-term results for the year ending next March. Investors are particularly interested in the fortunes of semiconductor makers.

Among favoured incentive-based issues, Kirin Brewery gained Y10 to Y790 on hopes of higher recurring profits for the year ending next January due to strong demand for beer. The stock was one of the most active with 5m shares traded. Sapporo Breweries firmed in sympathy, by Y20 to Y655.

Some property issues also attracted buyers. Mitsubishi Estate climbed Y40 to Y1,130 and Mitsui Real Estate Development Y30 to Y1,080. However, Nippon Express eased Y1 to Y665.

Large-capital issues eased on a broad front. Mitsubishi Heavy Industries rose Y2 to Y444, but Kawasaki Steel fell Y3 to Y154, Tokyo Gas Y4 to Y315 and Tokyo Electric Power Y40 to Y2,530.

Many blue chips which were in the spotlight early last week slipped on profit-taking. Sony lost Y20 to Y3,770, TDK Y50 to Y4,030 and Canon Y10 to Y1,200.

Fujiya, which rose on rumours of its stock being cornered, lost Y250 to Y1,750, and Godo Shusei, which had been favoured for similar reasons, also fell Y73 to Y720.

The bond market fell back after last Saturday's sharp rise when bond futures trading began on the Tokyo Stock Exchange.

Heavy selling by large securities firms drove the yield on the benchmark 6.8 per cent government bond, due in December 1994, up to 5.435 per cent from last Saturday's 5.420 per cent. However, yields on many other issues with similar periods remaining to maturity dipped.

Trading on the bond futures market halved to an estimated Y3,500bn from the opening day's Y7,087bn.

SOUTH AFRICA

THE STEADY bullion price helped golds close firmer in Johannesburg, with other minings and mining financials following the trend.

Driefontein closed 25 cents up at R52.25, Buffelsfontein firmed R1 to R76 and Gold Fields SA was steady at R35.

Diamond share De Beers was 25 cents up at R13.90, Rustenburg Platinum added 60 cents to R24.35 and Anglo American Corp firmed 70 cents to R35.

Industrials were generally mixed. AE & CI was steady at R8.20 as was C.G. Smith at R23.50. Gainers included OK Bazaars, up 40 cents to R12, Tongaat Huletts, 5 cents up at R6.20, and Protea Holdings, which added 5 cents to R2.30.

EUROPE

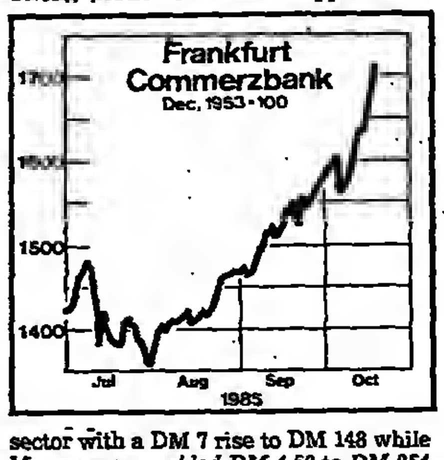
Profit taken around high point

INSTITUTIONAL investors were mainly responsible for a marked change in tone during the afternoon session in Frankfurt yesterday as they changed tack and took profits accumulated during the morning.

The Commerzbank index, which is calculated at noon, did not take account of the switch in mood and closed at another record with a 38.9 advance to 1,711.3.

Although a broad range of issues closed higher, their rises were well below their peaks for the day.

Steel stocks were an exception and continued to improve on expectations of strong profit advances. Krupp led the sector with a DM 7 rise to DM 148 while Mannesmann added DM 4.50 to DM 254 and Thyssen DM 1.10 to DM 169.



Banks were mixed as Commerzbank firmed DM 2 to DM 259.50, Dresdner DM 1 to DM 340.50 and Deutsche, which has been at the fore of the recent strong improvement in the banking sector, slipped DM 1.50 to DM 679.

Retailers were at the centre of the profit-taking and closed generally lower. Karstadt was down DM 5.50 to DM 288.50 and Horten DM 1 off at DM 211.

Bond prices edged higher. The Bundesbank sold DM 17.6m worth of domestic paper after selling DM 67.8m worth on Friday.

News that Prime Minister Bettino Craxi had been given the task of forming a new government injected renewed confidence into Milan and led leading stocks higher after last Friday's sharp decline.

Price increases were estimated at around 4 per cent, erasing most of the previous decline, with industrial and insurance groups the subject of most buying support.

Fiat rose L182 to L4,450, Montedison L130 to L2,250, Pirelli L151 to L3,001 and Snia L99 to L3,700.

Last week's rally in Brussels maintained its momentum with broad gains among financial, holding and utility stocks.

Traders noted mild weakness among selected industrial and retail issues as profit-takers took some of the gains recorded last week.

Among leading improvers, Générale de Banque added BFr 240 to BFr 4,490 and Société Générale de Belgique BFr 40 to BFr 2,090 on heavy volume.

Utilities were led higher by Ebes which ended BFr 80 higher at BFr 3,750.

Amsterdam was quiet with market leaders generally steady while internationals edged lower in thin turnover.

Investors displayed caution in Zurich although prices held their ground during slow business.

Movements in banks and transport issues, which have been in keen demand in recent weeks, were contained between narrow bounds as consolidation developed.

Paris investors held back before Wednesday's settlement, leaving prices to drift. Encouraging local economic indications were largely ignored.

Madrid continued to advance in active trading while Stockholm benefited from expectations of a drift lower in domestic interest rates and closed with marginal price improvements.

LONDON

HOPES of widespread bid speculation in the wake of the Elders IXL offer for Allied-Lyons failed to materialise in London as profit-taking, a firmer pound and warnings of defence spending cuts took some of the momentum out of trading.

Sentiment was helped, however, by forecasts of lower interest rates by the end of the year, and the FT Ordinary index closed 2.9 down at 1,048.0.

Allied-Lyons was one of the most actively traded stocks. It closed 5p down at 270p.

Short and longer-dated gilt-edged securities closed mixed.

Chief price changes, Page 49; Details, Page 48; Share information service, Pages 46-47

CANADA

THE MIXED trend in the absence of fresh factors continued in Toronto where trading was moderately active.

Transcanada Pipelines traded C$1⅛ lower at C$23⅛ after lower third-quarter earnings and a forecast of flat full-year results.

Among actively traded shares were British Columbia Forest, up C$⅛ at C$9.00, Hiram Walker, which added C$⅝ to C$31⅛, and Canadian Pacific, C$¼ firmer at C$16⅞.

Gulf Canada traded C$⅛ lower at C$19⅞.

In Montreal, industrials and banks were firmer while utilities were generally lower.

AUSTRALIA

Industrials lead climb to record

SELECTED industrials led Sydney to close at a record despite an uncertain start and a lack of fresh factors.

The All Ordinaries index closed 5.9 up at an all-time high of 1,040.9 in thin trading. Turnover was 26.9m shares with gains outpacing losses by 201 to 131.

Dealers said higher gold and copper prices helped mining and resources stocks during the session, but the rise to a record was largely the result of gains among a few stocks in each sector.

Among the most active shares BHP added 8 cents to A$8.86, Bell Group was 15 cents up to A$10.25, CSR firmed 6 cents to A$3.76 and CRA was 4 cents better at A$5.88.

Elsewhere, News Corp added 40 cents to A$9.00, ANZ Group was 10 cents up at A$5.20 and Poseidon, along with other gold stocks, firmed 10 cents to A$3.60.

Oil Search continued to rise – by 6 cents to 95 cents – in active trading as testing began on its Papua New Guinea well.

SINGAPORE

HOPES that the new budget to be presented on Friday would contain fresh business incentives helped lift Singapore where the Straits Times industrial index rose 9.31 to 777.45.

Dealers said profit-taking was well absorbed by short-covering and speculative buying with interest mainly in industrial blue chips.

Among actives K. L. Industries was 7 cents up at S$2.05, Data Consolidated added 8 cents to S$1.80 and Hume Industries was 16 cents higher at S$3.60.

Elsewhere, Cold Storage firmed 6 cents to S$3.20, Singapore Press added 10 cents to S$6.50, OCBC was 15 cents up at S$8.45, OUB rose 3 cents to S$2.79 and Keppel Shipyard was up 1 cent to S$1.29.

HONG KONG

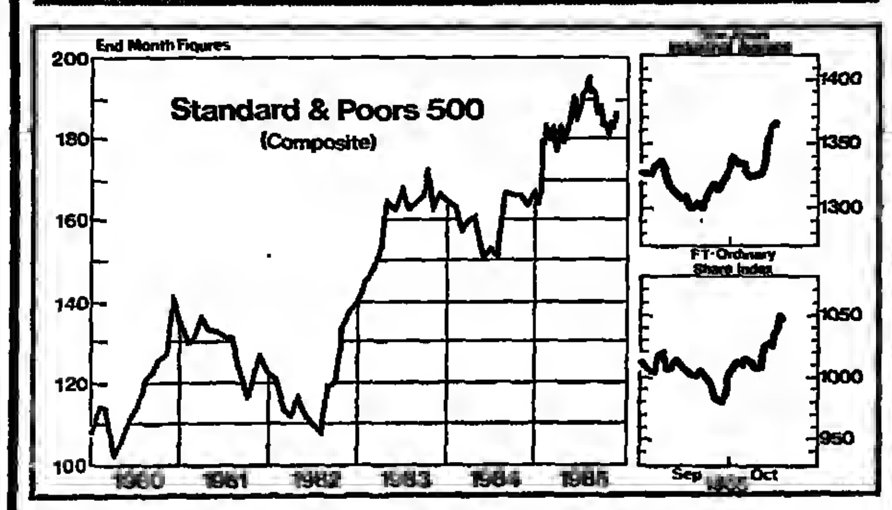
INSTITUTIONS, particularly from abroad, boosted sentiment in Hong Kong where prices closed higher in active trading.

Much of the rise was led by banks and utilities – which have lagged behind the market recently – on renewed interest by institutional investors.

China Light and Power – up 80 cents to HK$17.30 – helped strengthen utilities on reports that the company plans a bonus issue.

Elsewhere, Hutchison Whampoa was 10 cents up at HK$26.60, Jardine Matheson was steady at HK$13 and Swire Pacific added 80 cents to HK$27.60.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 21	Previous	Year ago
DJ Industrials	1,365.70	1,368.84	1,225.93
DJ Transport	660.46	660.58	542.74
DJ Utilities	154.85	154.44	144.80
S&P Composite	552.54	187.04	167.96
LONDON			
FT Ord	1,048.0	1,050.9	855.5
FT-SE 100	1,340.3	1,341.2	1,111.3
FT-A All-share	652.13	652.75	526.66
FT-A 500	712.17	713.74	570.44
FT Gold mines	272.7	282.5	549.5
FT-A Long gilt	10.11	10.10	10.54
TOKYO			
Nikkei-Dow	13,020.39	12,973.22	10,845.2
Tokyo SE	1,032.20	1,030.77	840.92
AUSTRALIA			
All Ord.	1,040.8	1,035.2	748.6
Metals & Mins.	526.9	524.9	439.7
AUSTRIA			
Credit Aktien	97.77	98.7	56.70
BELGIUM			
Belgian SE	2,698.25	2,686.34	–
CANADA			
Toronto			
Metals & Minls	1,830.1*	1,836.14	2,031.00
Composite	2,646.7*	2,646.89	2,395.90
Montreal			
Portfolio	128.29*	128.85	118.65
DENMARK			
SE	234.05	233.35	165.59
FRANCE			
CAC Gen	211.4	211.6	179.0
Ind. Tendance	118.7	119.0	95.9
WEST GERMANY			
FAZ-Aktien	568.18	568.33	376.27
Commerzbank	1,675.9	1,672.4	1,098.3
HONG KONG			
Hang Seng	1,666.06	1,639.89	1,031.80
ITALY			
Banca Comm.	397.73	382.00	212.23
NETHERLANDS			
ANP-CBS Gen	216.0	216.4	179.4
ANP-CBS Ind	192.2	191.3	141.0
NORWAY			
Oslo SE	372.03	373.98	261.79
SINGAPORE			
Straits Times	777.65	768.14	885.12
SOUTH AFRICA			
JSE Golds	–	1,106.0	994.3
JSE Industrials	–	980.6	862.7
SPAIN			
Madrid SE	124.61	123.94	103.76
SWEDEN			
J & P	1,400.68	1,393.06	1,450.64
SWITZERLAND			
Swiss Bank Ind	492.5	492.9	378.2
WORLD	Oct 18	Prev	Year ago
Capital Int'l	228.4	228.3	184.0

COMMODITIES

(London)	Oct 21	Prev
Silver (spot fixing)	429.80p	431.75p
Copper (cash)	£971.50	£975.50
Coffee (Nov)	£1,656.00	£1,670.50
Oil (spot Arabian Light)	$27.75	$27.75

GOLD (per ounce)

	Oct 21	Prev
London	$325.75	$326.25
Zürich	$325.60	$326.00
Paris (fixing)	$326.95	$327.66
Luxembourg	$326.75	$326.50
New York (Dec)	$329.40	$329.70

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Oct 21	U.S. DOLLAR Previous	STERLING Oct 21	STERLING Previous
$	–	–	1.434	1.4275
DM	2.6365	2.6365	3.78	3.765
Yen	215.7	2175.1	309.25	307.0
FFr	8.04	8.045	11.53	11.485
SwFr	2.165	2.1685	3.105	3.095
Guilder	2.976	2.975	4.2675	4.2475
Lira	1,779.0	1,778.5	2,551.0	2,539.0
BFr	53.4	53.35	76.6	76.15
C$	1.3635	1.3655	1.9569	1.949

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 21	Prev
£	11 7/16	11⅜
SwFr	4⅜	4⅜
DM	4⅝	4⅝
FFr	9 15/16	10
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 3/16	8 3/16
6-month U.S.$	8 5/16	8 5/16
U.S. Fed Funds	8⅛*	7 15/16
U.S. 3-month CDs	7.80*	7.92
U.S. 3-month T-bills	7.21*	7.41

U.S BONDS

Treasury		Oct 21* Price	Oct 21* Yield	Prev Price	Prev Yield
9	1987	100 10/32	8.82	100 8/32	8.85
10⅜	1992	101 23/32	10.02	101 19/32	10.119
10½	1995	101 30/32	10.18	101 15/32	10.265
10⅝	2015	101 21/32	10.44	100 27/32	10.532

Treasury Index* Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	129.69	+0.11	9.63	0.00
1–10	128.35	+0.09	9.32	+0.01
1–3	125.45	+0.09	8.76	0.00
3–5	129.80	+0.01	9.61	+0.02
15–30	134.28	+0.18	10.72	0.00

Source: Merrill Lynch

Corporate	Oct 21* Price	Oct 21* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100⅜	10.20	100⅜	10.20
3⅞ July 1990	82⅞	8.43	82⅞	8.43
8¾ May 2000	84.00	10.97	84.00	10.97
Xerox				
10⅞ Mar 1993	100	10.62	100	10.62
Diamond Shamrock				
10⅞ May 1993	98½	10.90	98½	10.90
Federated Dept Stores				
10⅞ May 2013	93⅞	11.35	93⅞	11.35
Abbot Lab				
11.80 Feb 2013	103¼	11.90	103¼	11.90
Alcoa				
12¼ Dec 2012	100	12.25	100	12.25

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	76–22	76–24	76–18	76–22
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.91	92.92	92.88	92.92
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.08	92.13	92.08	92.12
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	81.78	81.80	91.76	91.83
20-year Notional Gilt £50,000 32nds of 100%				
Dec	113–31	114–08	113–30	114–03